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UNIFICATION

Old ghosts return to haunt Germany

Page 3

Moscow maps route to the market economy

THE full scale of President Mikhail Gorbachev's assault on the central planning of the Soviet economy emerged yesterday with the publication of a list of 30 items of legislation to be produced in the next 40 days to lay the basis for a market system, writes Quentin Peel in Moscow.

A team of economists drafted into the Government has been locked away in virtual seclusion, attempting to finalise what amounts to the rewriting of most of the laws governing economic activity.

The legislative list includes price reform, anti-monopoly legislation, a foreign investment law, the establishment of an independent central bank and legislation on commercial banking. There will be decrees on the creation of a securities market, replacement of the system of central state orders and introduction of a single rouble exchange rate.

The plans were approved in a decree of the Council of Ministers – the Soviet Government – on March 11 but were only published yesterday. The decree instructs the working group headed by Dr Leonid Abalkin, deputy premier in charge of economic reform, to produce draft laws or decrees on all the topics by May 1.

Some of the intended laws have sweeping titles, and their effect can only be determined by the final content. They include a law on "transferring to a planned market economy" and another on "freedom of economic activity and development of the spirit of enterprise."

Two decrees supposed to be issued by the Government – which may now be issued directly by Mr Gorbachev under his new executive powers – cover programmes for "de-monopolising" and "de-nationalising" the economy.

Many of the most difficult issues are supposed to be brought in by government decree, not subject to amendment by the Soviet Parliament. They include raising prices for electricity, energy supplies, iron and steel, the implementation of new tax laws, credit reform and replacement of the system of state procurement orders.

Barely a month ago the Soviet Government backed down on the question of higher energy prices after the official trade unions threatened to call strike action.

The Supreme Soviet will itself be asked to issue decrees on the organisation of food supplies, which may include a proposal for cheap food outlets – virtual soup kitchens – for the poorest people hit by inflation. Other measures cover social security for low-income earners and the unemployed.

The list includes a law on indexing incomes to prices, which suggests Mr Gorbachev has rejected his economic advisers' plea that price reform must be combined with strict wage control.

Soviet banker with revolutionary ideas, Page 21

World News

Poland may accept united Germany within Nato

Poland's Foreign Minister said his country could accept a united Germany within Nato, but without Nato troops in what is now East Germany.

Krzysztof Skubiszewski, speaking after talks in Brussels with Manfred Wörner, Nato's secretary-general, said a united Germany could not be neutral, but the question of which alliance it would join was open.

Lithuania crackdown

President Mikhail Gorbachev ordered Lithuanians to surrender all weapons and called for tougher visa restrictions and border checks as part of a crackdown on the republic's self-proclaimed independence.

Mandela rebukes US

Nelson Mandela rebuked James Baker, US Secretary of State, for his decision to meet President F. W. de Klerk in South Africa. Page 4

Namibia celebrates

Namibia became independent after a century of colonial rule. It becomes the 160th member of the United Nations. Background, Page 24

Taipei reform plea

Taipei students, who have been staging a sit-in protest for three days, met Lee Teng-hui soon after he was elected president and urged him to quicken democratic reforms. Page 4

French rivals agree

French Socialist Party rivals patched up their conflict for control of the party. Page 3

HK electoral plans

Hong Kong announced a cautious package of electoral changes in the lead-up to next year's first direct elections to the colony's Legislative Council. Page 4

Stasi allegations

Senior East German Social Democrat quit parliament, amid allegations that unnamed candidates in his area had been Stasi security police informers.

New Zealand tremor

Wellington, New Zealand's capital, was rocked by an earthquake measuring 6.7. No damage or casualties were reported.

Deng's last post

China's leading political figure, Deng Xiaoping, relinquished his last post. Page 4

Chile suspends laws

Chile's Congress suspended laws inherited from the military regime. Page 6

Support for Lubbers

Dutch Prime Minister Ruud Lubbers' Christian Democrats won wide support in nationwide local elections but Labour coalition partners suffered defeat in early results.

Colonel Dubcek

Alexander Dubcek, Czechoslovakia's former Communist leader, has been reinstated as an army reserve colonel.

Mongolian President

Mongolia's parliament chose Punsalmaagiyn Ochirbat, the initiator of the open door policy, as its President.

Rothschild dies

Lord Rothschild, the Cambridge biologist, has died in London. He was 79. Page 8

Irises for US

J. Paul Getty Museum in California, has bought Vincent van Gogh's Irises from Alan Bond, the Australian businessman, for an undisclosed sum.

Babel of Brussels

Eurospeak, lexicon of the European Community, has been attacked by consumer groups demanding plain language. Awards for incomprehensibility were presented to the director of European Research into Consumer Affairs (ERCA).

Business Summary

International trade growth likely to slow says Gatt

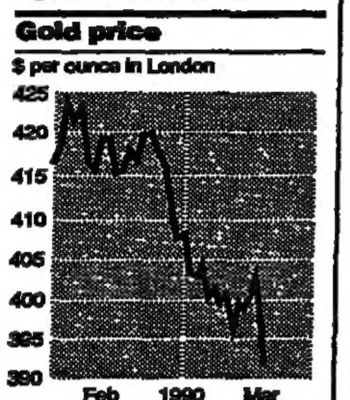
GROWTH in volume of international trade, one of the driving forces behind the expansion of the world economy, is likely to slow to between 5 and 6 per cent in 1990 from 7 per cent last year, according to the secretariat of the General Agreement on Tariffs and Trade. Page 5

BRAZIL'S new Government announced that the country's service payments on its $115bn foreign debt will be limited to a maximum $5bn this year. Brazil was to have paid $10bn in interest and a further $5bn in repayments of principal last year. Page 22

GOLD dropped through $395 a troy ounce, an important technical support point, plunging $6.75 to close in London

Gold price

$ per ounce in London



at $391.75,after a $4.25 fall on Tuesday. Analysts suggested that the price would not return to $400 an ounce for some time. Page 36

AUSTRIAN economy has performed impressively in growth and stability, according to the OECD, but the country still lags in deregulating its domestic markets. Page 3

EC has put its subsidies to the coal industry on the negotiating table in the Uruguay Round of Gatt, helping to break a deadlock in the group negotiating the liberalisation of trade in natural resource-based goods. Page 5

BOND CORPORATION, troubled flagship of Alan Bond, is to sell its Australian brewing and broadcasting assets to Bell Resources, its independently controlled subsidiary, averting a wind-up action which the offshoot had threatened. Page 27

JARDINE FLEMING, financial services joint venture between Jardine Matheson of Hong Kong and Robert Fleming of London, plans to set up a new stockbroking firm in Taipei once it has pulled out of a local partnership. Page 27

USX, US energy and steel group, attacked the break-up plan presented to shareholders by Carl Icahn, corporate raider and takeover specialist who owns 13.3 per cent of the company's equity. Page 24

STEETLEY, UK building material group which has become France's biggest aggregates producer, will pay FFr850m ($149.1m) to purchase sand, gravel, limestone and ready-mixed concrete businesses owned by Vasco Gobitta around Paris. Page 23

SKF, world's leading roller bearings company, has acquired CR Industries (Chicago Rawhide) of the US, major US manufacturer of fluid sealing devices for automotive and machinery applications. The terms were not disclosed. Page 23

BAT INDUSTRIES, British conglomerate, saw pre-tax profits rise to £2.04bn ($3.26bn) last year, a 24 per cent increase on the £1.64bn reported for the previous 12 months. Page 31

NEW ZEALAND will privatise New Zealand Telecom in a two-stage transaction involving the sale of a stake to a strategic buyer or buyers followed by a public share offering in various countries. Page 29

Sterling, UK bonds fall as budget fuels inflation concerns

By Rachel Johnson and Peter Norman in London

THE pound and British Government bonds came under severe selling pressure yesterday as the financial markets rejected government assertions that Tuesday's budget was the toughest since 1981 and succumbed to fears about inflation and economic policy.

The pound touched a new low against the D-Mark and came close to an all-time low on its trade-weighted index, despite active intervention in its support by the Bank of England. The pound lost 0.5 to close at 85.5 on the index, the lowest level since October 1986.

The markets are bracing themselves for further losses in expectation of a clear defeat for the candidate of the ruling Conservative party in today's parliamentary by-election in the constituency of Mid-Staffordshire, in the English Midlands. The result is not expected until Friday morning.

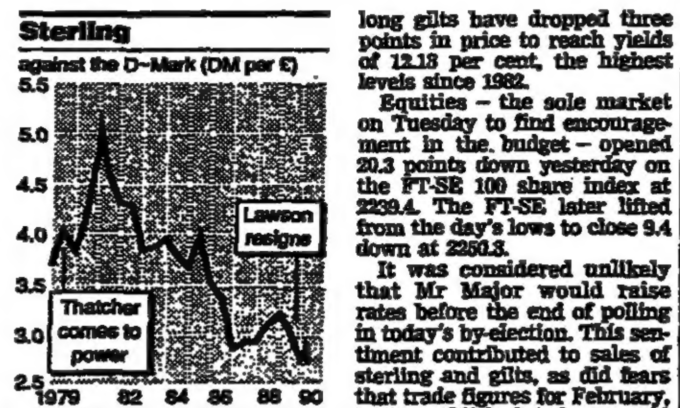
Traders said a defeat would bring political risk as well as economic uncertainty to the pound – and further undermine investors' confidence in sterling securities.

Initial disappointment with the budget – widely perceived by the markets as too weak to tackle the Government's economic problems – intensified as sterling was marked down sharply yesterday morning.

However, official reaction to the turmoil in the markets was cool. Mr John Major, the Chancellor of the Exchequer whose first budget it was, said: "The markets must make their own judgments on the budget. I will make my own judgments on what I think is right for the economy."

Sterling

against the D-Mark (DM per £)



He added: "Over the past five or six years whatever the budget judgment has been and whatever the budget has delivered in the short term, the market has tended to be adverse. But that has corrected itself after a reasonably short period."

Speaking to the press yesterday, Mr Major said he would not shrink from raising bank base interest rates – now 15 per cent – but he was "not prepared to react precipitately to short term movements."

The Bank of England had to perform an operation of dual support in both currency and gilts markets in an attempt to prevent further losses.

It bought gilt-edged securities from traders to prop up prices, which have fallen sharply since Mr Major began delivering his speech on Tuesday afternoon. Benchmark long gilts have dropped three points in price to reach yields of 12.15 per cent, the highest levels since 1982.

Equities – the sole market on Tuesday to find encouragement in the budget – opened 20.3 points down yesterday on the FT-SE 100 share index at 2239.4. The FT-SE later lifted from the day's lows to close 9.4 down at 2250.3.

It was considered unlikely that Mr Major would raise rates before the end of polling in today's by-election. This sentiment contributed to sales of sterling and gilts, as did fears that trade figures for February, to be published today, would be poor.

The Chancellor said that his budget was "not geared to the very short term, and it wasn't intended to be."

However, economists said that both the short- and long-term outlook had worsened. The budget had prompted gloom that inflation in the UK would be higher than had been previously expected. Mr Paul Chertkow, currency and bond economist at Citibank, said that the "budget had given an additional impetus to inflation, while the fiscal stance was looser."

Sterling closed in London at DM2.7225, down a pfennig, and at $1.5945, below Tuesday's $1.6110. In New York it closed at $1.5940.

Mr Major makes peace with banks, and Lex, Page 22; LDC debt burdens, Page 8; Market reports, Pages 29,37,44; Editorial comment and Economic Viewpoint, Page 20

Threat of US tax changes angers foreign investors

By Peter Riddell, US Editor, in Washington

OVERSEAS investors in the US are protesting strongly against proposals by leading Democrats aimed at increasing by more than $200m a year the taxes paid by US subsidiaries of foreign-owned companies.

British companies, the largest direct investors in the US, would be particularly affected.

The measure would give the US Internal Revenue Service powers to secure additional information from foreign companies to curb alleged under-payment of taxes. It would also impose a new 10 per cent withholding tax on the sale of US stock by overseas direct investors, except where there is a bilateral tax treaty prohibiting such a levy.

The tax would apply only to foreigners owning 10 per cent ormore of the equity of a US corporation and would not include ordinary portfolio investment.

The proposals come amid increasing concern in Congress about the rapid rise of foreign investment in the US. The immediate impetus is an IRS inquiry into whether or not foreign companies have underpaid taxes by at least $12bn in returns now under review.

This follows the disclosure that more than half the 36,800 foreign companies filing tax returns in 1986 reported no taxable income. Overall, they reported $542bn in sales and paid $3bn in US taxes.

The plan stands a good chance of being approved in the Democrat-controlled House of Representatives since it has been put forward by Mr Dan Rostenkowski, the Democratic chairman of the tax-writing Ways and Means Committee, and Mr Richard Gephardt, the increasingly prominent House Majority leader. However, the measure's fate is uncertain in the Senate, where Democrats hold a slim majority.

There have been immediate criticism from foreign investors. Mr Brad Larschan, a senior official at the Association for International Investment, representing several leading overseas groups, said the bill was "discriminatory against foreign investors."

The withholding tax proposal is a modified version of one dropped at a late stage from last year's budget law which had been aimed at foreign takeovers and leveraged buyouts. The main difference is that the new plan does not seek to override bilateral tax treaties.

Treaties with France, West Germany, the Netherlands, Canada and Japan would prevent the imposition of the levy, but the tax treaties with Britain and Australia do not preclude such a tax.

The new version honours treaties except when they permit third-country nationals to take advantage of loopholes. In those cases the proposal would override treaties, a change mainly aimed at the Netherlands.

Under the related provision, the IRS would have greater powers to investigate whether in past years foreign companies have manipulated US tax laws in dealing with US subsidiaries and offshoots.

This is aimed at transfer pricing abuses whereby overseas manufacturers inflate the prices of products coming into the US to be assembled or sold so as to minimise US taxable profits.

London SE shake-up cuts 350 jobs, most committees

By Richard Waters in London

A SHAKE-UP of London's International Stock Exchange, involving the loss of 350 jobs and the axing of more than 80 per cent of the market's myriad committees, was announced yesterday.

The upheaval, orchestrated by Mr Peter Rawlins, the exchange's new chief executive, has resulted in 190 redundancies. A further 160 jobs are to be lost by natural wastage.

Further job losses are expected later in the year, after detailed reviews of the three new divisions – covering primary markets, secondary markets and settlement services – through which the exchange will operate. Mr Rawlins refused to say how many of the remaining 2,500 staff would go.

He said of the changes: "Above all else, we are ensuring that the business that we are doing is business that actually facilitates the needs of our customers, rather than the needs of the ISE as an enterprise in itself."

The exchange said the restructuring would bring focus to its disparate operations and introduce a more commercial environment for its managers. The exchange has faced criticism from its member firms in recent months over its escalating costs.

The market's large central services divisions, such as its services and markets areas, are to be broken up and their functions devolved to the three new divisions. These will each run largely independently, with responsibility for their own computing, rule-making and future development.

Each division will have its own management board, chairman and managing director. This will leave just three executive directors, besides Mr Rawlins, rather than the current nine. Of the existing nine executive directors, apart from Mr Rawlins, only two – Mr George Hayter, director of services, and Mr Stewart Douglas-Mann – will retain their directorships.

Mr Rawlins said: "There is in all of this a certain amount of demise of existing empires. There will be a considerable sizing down of the large number of existing committees which have accountability and responsibility for nothing, but which do wield an awful amount of power and certainly have a great ability to spoil."

Emergency imposed in Romanian town as six die in ethnic violence

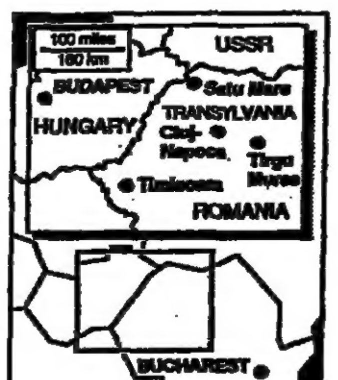
By Judy Dempsey in Budapest

ROMANIA'S provisional Government yesterday imposed a state of emergency in the Transylvanian town of Tirgu Mures after violent and bloody clashes between the ethnic Hungarian and Romanian communities.

Bucharest Radio reported that six people had died and more than 300 had been injured in the town after both sides, armed with axes and pitchforks, attacked each other on Tuesday evening. The Grand Hotel, one of the largest in the town 280 miles north of Bucharest, was reported to have been wrecked.

The authorities surrounded the town with tanks, troops and armed police yesterday in an attempt to separate the communities. Bucharest Radio said the atmosphere yesterday remained tense but did not give the ethnic origins of the dead.

The bloodshed is a serious embarrassment to Romania's new regime which took power after the December revolution which toppled Communist dictator Nicolae Ceausescu.



Hungary complained to Romania and to the United Nations on Tuesday about the plight of its compatriots.

The Romanian community in Transylvania, which outnumbers ethnic Hungarians by four to one, has been angered by Hungarian demands for greater autonomy. The 2m-strong Hungarian minority in Transylvania is Europe's largest ethnic minority.

Hungarian militants, who have vowed to stay on the streets until the Government has conceded all their demands, are demanding education in Hungarian, local control over their affairs and an end to an inflow of immigrants from elsewhere in Romania.

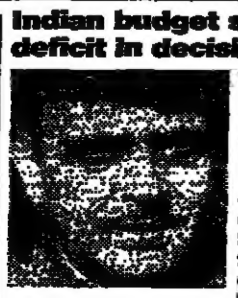
The Hungarians, who had their language schools, books and newspapers systematically reduced under the Ceausescu regime, want to have their separate schools and universities restored.

In Cluj, one of the main cultural centres of the Hungarian, Romanian and Saxon intellectuals who have lived together for centuries, Hungarians are demanding that the Hungarian Bolyai University which was amalgamated with the Romanian Babes University in 1959, be separated.

Romanian authorities promised the restoration of all ethnic and cultural rights after Ceausescu's overthrow. However, following pressure from nationalist Romanians and particularly the extreme right-wing Vatra Romaneasca movement, which Hungarian and Romanian intellectuals describe as a fascist organisa-

CONTENTS

Indian budget suffers a big deficit in decisiveness



The first budget of Indian Prime Minister V.P. Singh's Adminis traton pleased more people than the frail coalition could have dared to hope, but it did little to improve the competitiveness of the high-cost Indian economy

Page 4

MARKETS

STERLING
New York close
$1.594 (1.6)
London:
$1.5945 (1.611)
DM2.7225 (2.7325)
FFr9.185 (9.2275)
SFr2.425 (2.4425)
Y245.75 (247.75)
£ index 85.5 (86.0)

GOLD
New York: Comex Apr
$392.5 (393.3)
London:
$391.75 (398.5)

N SEA OIL (Argus)
Brent 15-day May
$18.175 (18.1)

Chief price changes yesterday: Page 23

DOLLAR
New York close
DM1.7115 (1.707)
FFr5.7765 (5.766)
SFr1.5245 (1.523)
Y154.65 (154.35)
London:
DM1.7075 (1.698)
FFr5.76 (5.7275)
SFr1.521 (1.5155)
Y154.15 (153.65)
$ index 68.8 (68.5)

US lunchtime rates
Fed Funds $8\frac{3}{4}$%
3-mo Treasury Bills:
yield: 8.22%
Long Bond:
$100\frac{1}{4}$
yield: 8.47%

STOCK INDICES
FT-SE 100:
2,250.3 (−9.4)
FT Ordinary:
1,771.4 (−6.2)
FT-A All-Share:
1,115.6 (−0.4%)
New York close
DJ Ind. Av.
2,727.93 (-10.81)
S&P Comp
341.5 (−0.07)
Tokyo: Market closed

LONDON MONEY
3-month interbank:
closing $15\frac{7}{16}$% ($15\frac{3}{32}$)
Liffe long gilt future:
June $80\frac{3}{8}$ ($81\frac{1}{32}$)

4

Moscow unveils draft law on new federal structure

By Quentin Peel in Moscow

THE Soviet authorities yesterday tabled draft legislation on a new Union Treaty between all 15 Soviet republics and on the procedure for a republic to secede, in a belated attempt to hold up a rash of independence demands.

The move came as President Mikhail Gorbachev ordered Lithuanians to surrender all weapons and called for tougher visa restrictions and border checks as part of a crackdown on the republic's self-proclaimed independence.

His orders, contained in a decree in line with new powers accorded him last week, were issued two days after the republic's new leadership defied orders to return to the Soviet fold. The new law will give joint jurisdiction to the republics and the union for a "common union market" across the federation, with a single monetary and banking system but local autonomy to govern land use, employment, the environment, and other sensitive issues.

Both bills presented to the Supreme Soviet in Moscow would appear, however, still to be heavily weighted against the far-reaching demands for sovereignty from many of the non-Russian republics. They are certain to be bitterly criticised in the Baltic republics and Georgia, where independence movements are strongest.

Deputies from Lithuania immediately rejected the secession law as irrelevant to their case, insisting that their republic has already effectively left the union before any such law was on the statute books.

Meanwhile, the Supreme Soviet (parliament) in Georgia decided to cancel next Sunday's republican elections and postpone them until October, on a multi-party basis. The parliament also abolished the monopoly role of the Communist Party.

The proposed amendments to the Union Treaty are intended to form a genuine federation in the Soviet Union, but the treaty leaves sweeping powers with Moscow.

Hungarians face poll booth bafflement

By Nicholas Denton in Budapest

HUNGARIANS have always prided themselves on their cleverness and their ability to make good compromises. The extraordinarily complicated system which they have devised for this Sunday's elections is in the best Hungarian tradition.

Mr Peter Tolgessy, one of the framers of Hungary's new democratic constitution, describes the electoral law as "part French Fifth Republic, a third Italian, a little bit German, with some Finnish thrown in." It compares in intricacy only with that of the Finns, who are in any case one of the handful of races related to the Hungarians.

Some say that Mr Tolgessy, a candidate of the opposition Alliance of Free Democrats for Prime Minister, is the only man in Hungary who understands how the system works.

Parties in the forthcoming election can win seats in the 386-member parliament in three ways: 176 constituencies will each elect one representative; 152 seats will be allocated – county by county – by proportional representation; and the remaining 58 will give token compensation to those parties too small to win many seats by either of the first two methods.

Lest this be too easy for the voters to understand, in all constituencies in which no candidate gains more than 50 per cent, those in the top three places or with over 15 per cent of the vote will go through to a second round. In this, the winner needs only a simple majority.

Last summer, when the opposition groups and the ruling communists sat down to hammer out a new electoral law and every week saw the formation of a new party, the fear was of political fragmentation.

The Free Democrats argued for a two-round vote in individual constituencies on the French model. "Our aim was to make the country governable," said Mr Tolgessy. This proposal was diluted as a concession to other opposition parties who wanted a pure form of proportional representation.

Nevertheless, the compromise is so cleverly hedged about by conditions in the small print that it will ruthlessly discriminate against small parties – and this includes the ruling Socialists – and so the next parliament is likely to be dominated by only three parties.

The Hungarian Democratic Forum, the Smallholders Party and the Free Democrats each have the support of around 20 per cent of the public but stand to win over 80 per cent of the seats between them. Any two of them could then form a majority government.

France to free up telecom and post sectors

THE FRENCH Government yesterday tabled sensitive plans to release its postal and telecommunications authorities from direct ministerial control and turn them into independent state-owned companies, writes William Dawkins in Paris.

The aim is to help France Telecom compete better in an increasingly international telecommunications industry and to encourage the post office to widen its services, said Mr Paul Quilès, Minister of Posts and Telecommunications. His project will be considered in the parliamentary session starting next month.

The scheme, which has been in gestation since last autumn, would allow the post office to sell insurance for the first time from its 17,000 branches. It would not, however, be allowed to open postal banks, as hoped for by Mr Quilès, but opposed by Mr Pierre Bérégovoy, the Finance Minister. Unions have criticised the plan on the grounds that they see it as a threat to their protected status as civil servants, though the new plan says this would be preserved.

Czechs prepare to kick ladder away behind them

Creating a new system involves forgoing security of old one, writes Guy de Jonquières

ON THE face of it, most other East European countries would happily settle for Czechoslovakia's economic lot. Living standards are among the region's highest, inflation is moderate and staple commodities are in reasonable supply. There is a small surplus on hard currency trade and foreign debt, at about $7bn, is modest by Polish and Hungarian standards.

Czechoslovakia also has an industrial base. Though distorted investment priorities and autarkic central planning have bequeathed many dinosaurs, particularly in steel and heavy engineering, there is still a residual manufacturing culture, underpinned by a good standard of vocational training.

However, as the Government sets out to create an open market economy, it is growing uncomfortably aware that these relative strengths are a double-edged sword. For all its faults, the existing system provides a safety net of a kind. It is unclear how far the mass of Czech people will be ready to surrender it for the lower living standards and, in some cases, unemployment which reform will unavoidably entail.

Outwardly, Czech policy-makers are unanimous in rejecting economic shock therapy in favour of what Mr Vaclav Klaus, the finance minister, calls "credible gradualism". But this show of solidarity cannot disguise growing strains between them over how to proceed with reform.

So far, they have agreed to create a budget surplus, to be achieved mainly by cuts in subsidies to the armed forces and agriculture, and on laws on private enterprise and joint stock companies. However, plans to privatise state enterprises have been delayed by disputes between Mr Klaus and his colleagues over how many should remain in state hands and the mechanisms for controlling them.

With parliamentary elections scheduled for June 8, ballot-box psychology is increasingly starting to intrude. Some in the Government want to capitalise on the strength of popular support by starting to impose painful austerity measures now. Others want tough measures deferred until after the elections, hoping these will produce a government with a strong mandate for reform. Either way, the economic agenda looks formidable.

A move to market pricing is widely regarded as essential if the economy is to be opened to real competition and made more transparent. Yet the Government also fears that freeing prices before breaking up producer monopolies would simply fuel inflation. But which should come first? Without an effective pricing mechanism, it is not obvious how state-owned assets can be re-allocated on a sensible basis, still less privatised.

As the Government sets out to create an open market, it is growing uncomfortably aware that the economy's relative strengths are a double-edged sword

The accounts of state enterprises are, in any case, practically useless, and expertise is in short supply. One western accountant estimates that there are no more than 100 auditors in the country "and many don't really know what goes on which side of a balance sheet".

Similar skills shortages pervade the economy. Though the monolithic banking system has been divided into seven institutions, which are being encouraged to compete, few Czech bankers have ever done much more than funnel credit into state enterprises on orders from central planners. Since more than 30 large state industries are officially reckoned to be technically insolvent, the worth of the banks' assets can only be guessed at.

"I consider my staff as participants in a huge seminar," says Professor Miroslav Tucek, general manager of Investicni Bank. "We know very well what we don't know, but we don't even have enough money to pay someone to teach us."

Potentially still more pressing is the challenge of streamlining obsolete and overmanned industries. Steel is a particularly chronic case, producing a ton of product a year per inhabitant – more than any country except Luxembourg.

However, steelworkers are among the highest-paid and most militant manual workers in the country. Large-scale redundancies would risk triggering political unrest – all the more so if they coincided with cuts in subsidies for food and other consumer goods. Some officials in Prague think a social welfare system will be needed to cushion the blow, though they have little idea how it would be funded.

Time may not be on their side. Already, reduced demand is threatening the large national arms industry, concentrated in the depressed region of Slovakia. Deepening Soviet economic difficulties spell further problems. The Soviet Union takes almost a third of all Czech exports and 70 per cent of engineering exports, mostly of too low a quality to be sold on western markets.

Many of Czechoslovakia's hopes for economic regeneration rest on foreign investment and the unshackling of private initiative. It is too early to judge how far official optimism about the first of these is justified.

Several joint ventures have been set up in the past year, chiefly with Austrian and German companies, and General Electric of the US is discussing an investment in the Skoda engineering group. Volkswagen and BMW, the West German motor groups, have both held "exploratory" talks with Skoda's vehicle division. But no really big projects involving foreign capital have been announced.

In a country where state ownership and control has extended even to plumbing services and hairdressers, there is ample scope for home-grown private enterprise. There is also plenty of interest. A self-styled association of independent businessman has recently been formed in Prague, which claims that as many as 300,000 new businesses will be set up this year.

Availability of finance does not appear to be a serious problem. Informal estimates put the value of "under the mattress" savings – much of it in hard currency earned from the black market – at DM2bn or more. More doubtful is the quality of home-grown investment opportunities on offer. One government official thinks 80 per cent of new businesses will fail because their founders do not know how to manage risk.

Faced with such an array of challenges, Prague's economic reformers find themselves alternately exhilarated at holding power – and daunted by the task ahead of them.

As one puts it: "It's one thing to criticise the shortcomings of the old regime. It is quite another to be part of the system, to have to look for solutions and to feel the weight of responsibility on your shoulders."

President Vaclav Havel, on a visit to the UK, leaves the House of Commons yesterday with a souvenir of his meeting with the Speaker in Westminster – a book on the British Parliament

Free marketeer winning fight over pace of reform

By John Lloyd, East Europe Editor

MR VACLAV Klaus, the leading free-marketeer in the Czechoslovak Government's economic team, appears to be winning the struggle over the pace of economic reform as the country faces all-round price rises within the next few weeks.

Mr Marian Calfa, the prime minister, told a television audience who quizzed him on the 100th day of his Government's rule, that fares on public transport, frozen since 1968, would rise in a few weeks – and that rents and many types of food would also go up over the next few months.

Mr Klaus, who will present what is forecast to be a tough budget early next week, is likely to win his battle to set up a department charged with privatising the state enterprises within his ministry. He and other ministers and economists see this as an essential mechanism to carry through the privatisation of the enterprises, which have been under the effective control of their directors and works councils since the decay of the formerly ruling Communist Party.

Mr Klaus is also about to carry out his threat to leave the exchange rate mechanism of Comecon, the grouping of the formerly communist states. This will allow Czechoslovakia to negotiate bilateral exchange rates between itself and other member countries.

The barely concealed rivalry between Mr Klaus and Dr Valtr Komarek, the first deputy Prime Minister, has slowed the production of a strategy.

However, Dr Komarek, on a visit to South America, gave a hostage to fortune by apparently issuing an invitation to General Pinochet, the former President of Chile, to visit Czechoslovakia. The Czechoslovak Government issued a statement saying Dr Komarek was not competent to issue such an invitation, while Dr Komarek said that the invitation had been to the Chilean economic advisers who had lessons to teach his country.

Lisbon privatisation plan clears hurdle

Portugal's Constitutional Tribunal has given the green light to the Government's privatisation programme, writes Patrick Blum in Lisbon.

The tribunal yesterday confirmed that a new privatisation law recently approved by the Portuguese Parliament was constitutional, thereby ending the uncertainty surrounding this year's planned government privatisations.

Doubts about the law's constitutionality were raised in parliament last month by the Communist Party.

Security clamp at Jewish transit point

Police have increased security at Budapest airport after a Moslem group threatened to attack airports and airlines used to take Soviet Jews to Israel, a Hungarian newspaper reported yesterday, Reuter reports from Budapest.

Magyar Hirlap quoted a senior police officer as saying that anti-terrorist commandos had been placed on alert and co-operation stepped up between police, border guards and security staff of Hungary's Malev airline.

Budapest's Ferihegy airport is an important transit point for thousands of Soviet Jews emigrating to Israel since the start of this year.

Turkish curfew after deaths in clashes

Four people were killed and nine wounded in clashes between security forces and Kurdish demonstrators in the south-eastern Turkish town of Cizre, near the Syrian border, state-run radio said yesterday, Reuter reports from Ankara.

It said the town, in a region where Marxist Kurdish Workers Party (PKK) guerrillas are active, was under curfew.

Allianz joint venture in East is finalised

East German insurance company Staatliche Versicherung der DDR said Allianz Holding AG would take a 49 per cent stake in Deutsche Versicherungs AG, a joint venture between the two insurers, Reuter reports. A spokesman for the state-owned Staatliche Versicherung also said the East German council of ministers had agreed to transform the insurance company into a joint stock company (Aktiengesellschaft) on May 1.

'Fast track' plea on E Germany

By David Buchan in Brussels

EAST GERMANY can and should be absorbed – via West Germany – into the European Community within a couple of years and without much cost to non-German members, Bonn's senior Commissioner said yesterday.

Mr Martin Bangemann also predicted that Chancellor Helmut Kohl, who visits the Brussels Commission tomorrow, was ready to put his weight behind new moves towards European political union, even though he did not want to tackle European monetary union negotiations until after this autumn's West German elections.

East German entry into the EC, via the fast legal track of Article 23 of the West German constitution allowing outside regions to simply vote to adhere to the Federal Republic, would be the best solution, Mr Bangemann said. This would not involve any interruption in Germany's international obligations, which would henceforth have to include East Germany's contractual economic ties to its Comecon partners.

He foresaw three phases in East Germany's absorption into the EC. The first of perhaps a few months would be unity negotiations between Bonn and Berlin, in which the EC would want an immediate say on certain issues like agriculture and EC control of German state aids.

Once unity was decided, there would be two further phases: the first until East Germany actually became EC territory, probably in mid-1992, and the second continuing for a few more years during which time there would still be special transitional arrangements for the new EC region.

Meanwhile, Belgium's Prime and Foreign Ministers yesterday called for greater efficiency and democracy in EC institutions, capped by a genuinely common foreign policy, as they launched the debate about EC institutional reform which, along with German unity, will dominate European politics this year.

Mr Mark Eyskens, the Foreign Minister, told the Centre for European Policy Studies that he had sent all EC counterparts a memorandum urging extension of majority voting to unblock EC legislation and powers of decision for the European Parliament equal to the Council of Ministers.

MEP threat to block cash for environment agency

By Tim Dickson in Brussels

THE CHAIRMAN of the European Parliament's influential environment committee, Mr Ken Collins, yesterday threatened to block the new European Environment Agency unless EC member states made a clear commitment to enhancing its power.

In an interview before today's meeting of EC environment ministers, he said he would advise colleagues to withhold EC budget funds for the agency if certain "moderate" demands of the Parliament were not met. At the very least the agency must be allowed to verify the accuracy of information and data supplied to it by member states.

Three compromise amendments tabled by the Parliament last week would in time significantly increase the agency's authority by adding inspection and enforcement powers. Most of these ideas are unpalatable to ministers, who want the agency's functions confined to analysing, comparing and distributing data supplied by governments on the state of the EC environment.

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EUROPEAN NEWS

Old European ghosts return to haunt Germany

Prospect of unification is prompting an ambivalence which is in the interests of neither west nor east

THE VOTE in East Germany and the prospect of high-speed German unification have summoned up national spectres that had seemed to have been put to sleep.

In public all governments, east and west, assiduously recognise the German right to self-determination; but behind their hands they all mutter about ways to contain, constrain and confine this freedom.

Before last Sunday, the British Government was openly espousing a long, slow, phased process of unification, even though this was clearly not what the Bonn Government wished. The French Government had dramatically stepped away from its close relationship with West Germany, by lining up spectacularly with Poland, to put pressure on Chancellor Helmut Kohl to re-affirm the permanence of the Oder-Neisse frontier.

Neither London nor Paris was well advised to behave in these ways, which were counter-productive for the interests of Britain, France and the west.

The most likely consequence of a long process of unification would be to call in question the existing international rights and obligations of West Germany. Whereas it is obviously in western interests, and in the interests of the Soviet Union that these (West) German rights and obligations should be disturbed as little as possible, because disturbance means instability.

The west wants a united Germany to remain in Nato. The present Government in Bonn says it wants to do so. The Soviet Union ought to want a united Germany to stay in Nato, since any alternative (such as neutrality) would be less favourable to Soviet interests, and much less favourable to those of the Soviet Union's neighbours in eastern Europe.

But continued German membership of Nato would be a highly uncertain issue if it had to be negotiated, first between the two German states, then in the context of the Four Powers.

IAN DAVIDSON
ON EUROPE

The British Government, like the Soviet one, has repeatedly endorsed the principle of keeping the two alliances in being, as a factor of geo-strategic stability. This outcome can only be optimised if German unification makes the fewest waves; and that means a rapid absorption of East Germany by West Germany.

Happily, the vote in East Germany has excluded the misguided British preference for a wide-open negotiation.

The muffled quarrel between Paris and Bonn over the Oder-Neisse line has been equally unfortunate. Chancellor Kohl's deliberate pandering to the revanchism of a minority on his right has been distasteful and unscrupulous, but it does not affect the real world. In the real world, no German Government can change the German-Polish frontier by any mechanism short of war.

Did President François Mitterrand think this might be such a serious danger that it needed to be averted by a spectacular alignment between France and Poland against West Germany? The idea is absurd. Did he think the issue could be finally disposed of before unification? Of course not.

When I was in Moscow recently, a Soviet foreign policy specialist contrasted the historical and developmental time-lag between the two halves of Europe.

Western Europe, he said, was moving into the 21st century, because it had developed advanced new methods for handling relations between states, in the framework of the European Community. But eastern Europe was awakening from a long sleep into the 19th century, with all the old unresolved conflicts between nationalities and nation-states.

There is probably more than a grain of truth in both halves of the antithesis. With every passing year, the organic dynamism of the EC system proves itself more spectacularly; while reports of violence between Armenians and Azerbaijanis, or between Romanians and their Hungarian minority, offer a terrible commentary on just one of the side-effects of the long Stalinist freeze.

And yet western reactions to the prospect of German unification show that the civilised advances of European integration are very recent compared with the old reflexes of nationalism; and that, despite 45 years of reconciliation, there are primitive national feelings which lie only millimetres below the skin.

The British Government was giving way to its fears of German power; the French Government was pandering to the primitive strain of anti-Germanism in France which has survived decades of Franco-German rhetoric.

The simple issue of Nato membership is often bandied about as the litmus test of German unification. But the real issue is German sovereignty, and that, surely, is the heart of what the Germans are after.

When the two Germanys are united, will they be a sovereign and independent country, more or less like any other; or should its independence continue to be constrained by the legacy of the Second World War?

It seems clear that the Soviet Union, and other countries in eastern Europe, will seek to constrain the sovereignty of the new Germany; if they cannot prevent it remaining in Nato, they will seek to constrain the military forces in Germany, both nuclear and conventional, German and allied.

And the Soviet Union, as one of the Four Powers with entrenched post-war rights in Germany, will use its position to bring about this result and even to keep these rights alive in perpetuity.

By contrast, it is obviously in Western interests to maximise German sovereignty, once the loose ends left by the Second World War are tidied up in an appropriate international settlement; because the Germans may not remain politically anchored to the West if they feel that they are going to go on being treated as second-class citizens.

Yet it is not clear that either Britain or France really wants Germany to recover full sovereignty.

In this context, however, there is one big difference between France and Britain, and this is their attitude to the European Community.

The French Government has long pressed for further integration of the EC partly because the increasingly federative structures of the EC offer an even-handed solution to the problem of Germany.

Economic considerations play an important part as well, of course: a larger market, currency stability, negotiating strength *vis-à-vis* Japan and the US. But the bottom line is that France is prepared to trade the sharing of its political sovereignty, in return for the sharing of German sovereignty, through institutions which are based on democracy and the rule of law.

Unfortunately, Mrs Margaret Thatcher, the British Prime Minister, still appears to think that she can maximise British sovereignty, and yet not prompt Germany to want the same.

OECD prescribes competitive dose for Austrian economy

By Ian Davidson in Paris

THE AUSTRIAN economy has performed impressively in terms of growth and stability over the past two years, according to the latest national report by the Organisation for Economic Co-operation and Development.

But the OECD points out that Austria is still a laggard in deregulating its domestic markets, and recommends stronger efforts to make markets more responsive to competitive forces.

In the past two and a half years, the Austrian economy has experienced a period of vigorous expansion, with output growing at rates of around 4 per cent since late 1987. Growth was given a greater stimulus than expected by the 1989 income-tax reform; and though domestic-demand growth is likely to weaken, the organisation predicts that the slowdown of aggregate demand is likely to be moderate, given sustained growth in the rest of OECD Europe.

However, unemployment has been low by international standards and a further reduction is likely to be moderate. Accordingly, the OECD warns about a danger of revived inflation, since recent wage settlements have been running significantly above previous trends, and are higher than in some competing countries.

An important factor behind the recent good price performance, says the OECD, has been an unsustainably rapid advance in productivity. With productivity growth now settling back towards its estimated underlying trend of 2-2¼ per cent, cost pressures will be felt more strongly, putting pressure on the ability of Austrian companies to compete abroad.

The report says Austria appears to be one of the more regulated economies in the OECD area. Its strong corporatist leaning, while maintaining inflation and unemployment below the average of its trading partners, has also favoured the maintenance of barriers to market entry.

Determined steps to strengthen competition in goods and services would therefore seem desirable, says the OECD. Rules on mergers and acquisitions, joint ventures and licensing agreements should be based on explicit economic criteria rather than being governed by vague notions of "public interest".

Truce called in French Socialist party quarrel

By Ian Davidson

RIVAL CHIEFTAINS of France's ruling Socialist Party patched up their conflict for control of the party at dawn yesterday, after 12 hours of negotiations, with a compromise which halts the quarrel but does not settle it.

Following four days of deadlock at the party congress last weekend, yesterday's deal represents an 11th-hour effort to avoid, or at least postpone, an irrevocable and paralysing split.

The essence of the deal is that there will be a more equal sharing of top posts between the two leading factions in the traditional Mitterrandist wing. The compromise openly recognises that the latter, long the dominant force in the party, is effectively split in two.

At stake is the party leadership in the run-up to the next general election in 1993, and ultimately the inheritance of the mantle of President François Mitterrand in the selection of the Socialist candidate in the presidential elections in five years' time.

Mr Laurent Fabius, youthful president of the National Assembly and favourite of Mr Mitterrand, has openly laid claim to that inheritance by campaigning independently against the existing party leadership, but this time he has failed to carry off a conclusive victory.

In the grass-roots canvassing before the party congress, he secured just under 30 per cent of the votes of the militants, neck-and-neck with the team led by Mr Pierre Mauroy and Mr Lionel Jospin, the present and past first secretaries of the party. But in the final confrontation, Mr Fabius was forced to accept second place to the Mauroy-Jospin team.

Under yesterday's compromise, Mr Mauroy will keep his position as first secretary but the number two spot, the national secretary for co-ordination, currently held by one of Mr Jospin's men, will now be handed over to the Fabius clan.

Current account deficit widens greatly in Greece

By Kerin Hope in Athens

GREECE'S current account deficit for January totalled $534m, a staggering increase over last year's figure of $13.4m, according to central bank figures.

A surge in imports pushed the visible trade gap to $1.02bn, 50.4 per cent higher than the previous January's $674m. An official said importers were stockpiling goods in case the drachma depreciated rapidly if the April 8 election produced another hung parliament.

Exports fell by just 5.3 per cent to $448m, while invisible receipts declined by 12.7 per cent to $784m, led by a 21.5 per cent drop in transfers by Greeks working abroad. Imports of funds earmarked for building homes fell by 18.5 per cent to $56m.

Capital inflows showed a sharp increase, from $272m in January 1989 to $1.11bn, but more than $900m of that was raised by a one-year government bond issue index-linked to the Ecu.

January's figures follow a steep increase in the current account deficit for 1989, which totalled $2.57bn compared to $957m the previous year. However, foreign exchange reserves remained stable at $4.68bn, compared with $4.77bn at the end of January 1989.

Hong Kong measures to smooth path to democracy

By **Angus Foster** in Hong Kong

THE HONG Kong Government yesterday announced a cautious package of electoral changes in the lead-up to next year's first direct elections to the colony's Legislative Council.

The changes, which the government said were intended to ensure a smooth transition towards greater democracy, appeared designed to prevent any one political group becoming dominant and to balance power between the Government, its appointed members and directly elected councillors.

The Government also kept the minimum voting age at 21, at least until the next elections in 1995. The decision angered the liberal camp, which is likely to win votes among the young.

Under the terms of the Basic Law, Hong Kong's mini constitution following its reversion to China in 1997, 18 out of a total of 60 legislative councillors will be directly elected next year. The colony will be split into nine constituencies, each returning two councillors on a first past the post basis.

The system seems designed to ensure voter interest, since the constituencies are relatively small, but also large enough to stop well known local politicians dominating their own areas.

The Government has also decided to increase the number of functional constituency seats, elected by professions and organisations like accountants or trade unions, to 21 from the present total of 14.

The seven new functional constituencies include the tourism industry, financial services and construction and engineering. The trade unions, which hoped to be granted a third functional seat, were disappointed. The preference towards big business for the new functional constituencies again suggested that the Government hopes the new seats will counter directly elected members.

All government representatives except for the chief secretary, financial secretary and the attorney general will retire from the council after the 1991 election. However the Government will continue to appoint members, usually chosen from Hong Kong's prominent individuals, although the number will drop to 17 from 20.

The Government is also proposing to appoint a deputy president to the council to take charge when the Governor is away.

The deputy president is likely to be a senior legislative councillor. The appointee could have an advantage in 1995 when the legislative council will elect the future president of Hong Kong from among its own members.

Some of the details for the elections, such as expenses and deposits, are still to be ironed out. However with the system now in place, the Government is keen to make the elections a success. It believes that if China sees Hong Kong remains stable after some of its leaders are directly elected, the colony has a better chance of persuading China to allow more democracy.

With many Hong Kong people disillusioned about democracy since China dashed their hopes about the Basic Law, voter turn-out next year will be crucial. At the last major elections in Hong Kong – for the district board in 1988 – only 30 per cent of the 1.4m registered voters cast a ballot.

Registered voters have since increased to 1.6m and the Government hopes to add a further 500,000 before the elections through an awareness campaign. The Government must also hope that the political awareness of Hong Kong following last June's events in China will not have worn off.

Jiang Zemin, Communist Party chief, and Yang Shangkun, President, put their heads together at the National People's Congress

Deng ends half a century in high office

By **Peter Ellingsen** in Peking

AFTER half a century of holding high office in the Communist Party, China's most important political figure, Deng Xiaoping, yesterday relinquished his last post. But even as China's Parliament, the National People's Congress (NPC), accepted 85 year-old Deng's resignation from the State Central Military Commission, there were few who believed it would now be a matter of Citizen Deng.

While Li, a hardliner, is now in the hot seat and must salvage the economy to preserve himself, Deng, who has stayed away from the tedious, ceremonial ramblings of the NPC, is engaged in the real business of reconciling a deeply-divided regime. If yesterday's government work report is a guide, that is a thorny task that even mercurial Deng has not mastered.

In spite of protestations to the contrary, NPC documents show the Party split and the economy in crisis. As a Western diplomat pointed out, all the contradictions apparent after the quelling of the upheaval last year, are still in the there.

"Basically" the analyst said, "the Government is buying time, in a bid to keep the lid on stability while its tries to improve the economy. There were no solutions, just strident ideology to placate the hardliners, and a pragmatic message that the economy's a mess and more belt-tightening's ahead."

The Government has said it will mildly stimulate the economy to achieve its goal of a 5.8 per cent growth this year. However GNP will have to reach about 9 per cent for several months to make up for negative industrial output in the first months of 1990. Some observers think this is impossible, or if it does happen, that it will spur a return to the record inflation of 18 months ago.

The dilemma was acknowledged by Wang Bingqian, the Finance Minister, who told the NPC yesterday that "the condition of the State budget this year is grim." Wang conceded there was "an outstanding contradiction in the supply and demand of funds and the financial balance was precarious (with) state deficits (having) exceeded the budgeted amounts." It is China's fifth consecutive deficit and the 11th in the last 12 years.

"We must fully recognise the danger in running a deficit and start thinking in terms of a balanced budget," Wang said, although this could not be done quickly.

Some debts must be paid, however. The military, called upon to crush last June's pro-democracy unrest, was allocated nearly 29bn yuan (£3.8bn), up 15 per cent over last year.

This year 12.4bn yuan has been set aside for domestic debt, now running at about 80bn yuan and 7bn yuan for foreign loans, which total about $40bn (£24.8bn).

China faces a repayment peak in the next few years when it will have to find $8bn in interest and principal. But Wang stressed: "We're fully capable of repaying foreign debt."

Tantalising chance for Peres and for peace

By **Hugh Carnegy** in Jerusalem

"Walking on eggs," said the headline. "It's his last chance," concluded the writer. The article in the Israeli daily Ha'aretz summed up the prospects facing Mr Shimon Peres, leader of the Labour Party, as he attempts to piece together a government out of the country's fragmented parliamentary puzzle.

In some ways President Chaim Herzog's nomination on Tuesday night of Mr Peres as his first choice to try to resolve the country's political impasse was a victory for a man who has led his party in four general elections but has only one "draw" to his credit.

From an unpromising position of junior partner in a coalition with the assertive Likud Party, led by Mr Yitzhak Shamir, Mr Peres has engineered the opportunity to lead Israel into unprecedented peace talks with the Palestinians, something Mr Shamir refused to do on the terms offered by the US.

But, as the newspaper suggested, the opportunity for Mr Peres is tantalisingly slim. If he cannot grasp it, it may well add up to one political failure too many for Labour to bear from its leader of 13 years.

First Mr Peres must somehow graft onto Labour's block of 39 seats in the 120-member Knesset enough support from an ideological kaleidoscope of small left-wing, Arab and religious parties to sustain a parliamentary majority.

That he achieved a 60-55 defeat of Mr Shamir in last week's crucial no-confidence vote following the collapse of the Likud-Labour partnership counts for little now. Likud was yesterday already engaged in a guerrilla campaign to keep the three key ultra-orthodox religious groups out of an alliance with Labour.

Yet forming a government may prove easy compared with the task of holding it together while conducting what would be highly sensitive talks with the Palestinians. Again, Likud has wasted no time in accusing Labour of being at the mercy of the Palestine Liberation Organisation and preparing to give away the Israeli-occupied West Bank and Gaza Strip, and with them Israel's security.

Once negotiations on the initial proposal to hold elections in the West Bank and Gaza got under way, Likud and its right-wing allies would seize on every issue, from the role of the PLO to the status of Jerusalem, to try to bring down the inevitably fragile administration.

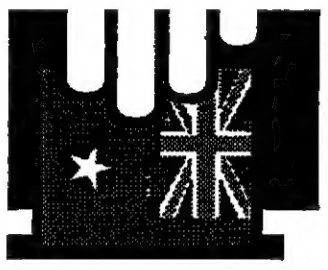
Mr Peres, though, is staking his position on his belief that there is a majority in Israel in favour of the US-backed plan.

He is committed to making peace based on territorial concessions. He rejects talking directly to the PLO, but has acknowledged a PLO role in the peace process, if only at arms length. Underpinning his stance is a belief that "sooner or later what happened in Eastern Europe will happen in the Middle East."

Australia's loan rates expected to fall after economic slowdown

By **Chris Sherwell** in Sydney

AN UNEXPECTED quarter-on-quarter contraction in the economy has reinforced predictions of a fall in Australian domestic interest rates after Saturday's federal election.



The figures for the December quarter underlined dramatically the scale of the slowdown wrought by a prolonged regime of high interest rates. In the prevailing hot-house atmosphere, it also prompted immediate suggestions that the country was already in the midst of a recession.

The Labor Government, seeking re-election for a fourth term, said the figures confirmed its policy of dampening demand had worked, vindicated its decision to relax monetary policy in January and justified its controversial predictions that rates would fall further after election day.

The Liberal-National coalition, out of office for seven years, pointedly accused Labor of running a "scorched earth policy" which, by depending so heavily on interest rates, had driven the economy into recession with worse to come.

Publication of the national accounts statistics showed that Australia's gross domestic product, seasonally adjusted, had fallen by a real 0.2 per cent in the three months to the end of December for an overall 4.2 per cent growth in calendar 1989.

Even more spectacularly, gross national expenditure contracted by 1.2 per cent in the quarter – the first decline in domestic demand since mid-1986 and one of the biggest in years. Net exports increased in compensation.

The figures also showed a further decline in investment and an increase in the savings ratio as household disposable income rose more strongly than private consumption.

Although analysts agreed there was an unequivocal slowing in private sector demand, they were cautious in their interpretations because a statistical discrepancy in the figures means a large part of the fall remains unexplained.

It therefore remains to be seen whether a more sensible balance has materialised between Australian production and consumption to help reduce the country's record current account deficit.

However, given that the figures are a "snapshot" of the economy for three months ago and that retail and mortgage interest rates have stayed at very high levels, the assumption is that the current quarter will show similar trends when figures are published in May.

This was the clear view of Dr John Hewson, the shadow Treasurer, who accused Mr Paul Keating, the Treasurer, of "flattening" the economy and pointed also to rising unemployment and increasing bankruptcies.

Mr Bob Hawke, the Prime Minister, insisted yesterday, however, that there was "no need to fear a recession in any sense."

On the money markets yesterday, yields on 90-day bank bills actually rose marginally. But at the weekly Reserve Bank tender, the yield on A$400m of 90-day Treasury bills was 15.21 per cent, down from 15.79 per cent a week earlier. This added to pressure for an early cut in the Reserve's rediscount rate from the current high of 17.1 per cent.

Mandela rebukes Baker over SA visit

By **Nicholas Woodsworth** in Windhoek

MR Nelson Mandela, deputy president of the African National Congress, yesterday rebuked Mr James Baker, US Secretary of State, for his decision to meet President F.W. de Klerk in South Africa.

The two men held talks in the Namibian capital Windhoek, where they took part in independence celebrations. Afterwards they said some progress had been made on ideas that would help resolve problems in South Africa. But Mr Mandela said they disagreed on some issues.

"We (the ANC) do not think there has been any fundamental change of policy by the South African government. The fact that Mr Baker visits de Klerk can create confusion that the National government has done something that requires a change of attitude on the part of the international community. We regard that as regrettable."

Mr Baker replied that US efforts to move the negotiation process forward were being made in good faith, and that the US approach – which involves contacts with both the ANC and the South African government – would not be changed.

Mr Baker also met Mr Eduard Shevardnadze, Soviet Foreign Minister. Both men cited Namibian independence as an example of the benefits of US/Soviet co-operation.

Mr Douglas Hurd, the British Foreign Secretary, announced a £18m aid package for Namibia.

David White, Defence Correspondent, adds: A British military advisory team arrives in Namibia on Monday to help set up a Namibian army and a Ministry of Defence.

The aim is initially to build a brigade-sized infantry force of between 5,000 and 6,000. This will unite former guerrilla forces with their former enemies, the South West Africa Territorial Force. The new army will use bases and workshops left by South African forces.

Taiwan's president meets protesters

By **John Elliott** in Taipei

REPRESENTATIVES of over 4,000 students, who have been staging a sit-in for three days in Taipei's main ceremonial square, last night met Mr Lee Teng-hui for one hour shortly after he was elected president and urged him to speed up democratic reforms.

The meeting marked the opening shot in a debate about Taiwan's future political development in the run-up to a national affairs conference, probably in June, which will map out new policies for constitutional reform and relations with mainland China.

President Lee announced the conference this week in an attempt to prevent the unrest disrupting yesterday's election. Last night he told a 50-strong student delegation that he was meeting their demand for a conference open to a wide range of public opinion.

President Lee, 67, took office two years ago on the death of President Ching-kuo. Yesterday, amid tight security, he was elected unopposed in his own right for a six year term by 641 of 668 votes cast in the National Assembly. More than 80 per cent of the assembly members are over 70. Their unwillingness to retire has provoked the unrest.

The students and others are pressing for these elders to retire and for the assembly to be either abolished or turned into a democratic body. This means that the development of a western-style parliamentary system will be on the conference agenda.

A significant easing of relations with China will also be considered, although government officials insisted yesterday there was no question of Taiwan either declaring itself independent or recognising Peking.

Born in Taiwan, President Lee is a reformer who wants to speed up democratic development. But he faces resistance from the elders, other politicians and army generals who have power under the current political system.

Indian budget suffers deficit in decisiveness

V.P. Singh's administration has dodged the hard choices, writes David Housego

THE FIRST budget of Prime Minister V.P. Singh's administration pleased a lot more people than the now frail coalition could have dared to hope.

But in macroeconomic terms it did little to improve the competitiveness of the high-cost Indian economy and hence its manufacturing export performance. It also left still unanswered a good many questions about the long-term evolution of economic policy.

The Bombay Stock Market, which had feared that the budget, presented on Monday, would include even stiffer doses of personal and corporate taxation, gave it an immediate welcome with a rise in share prices. By contrast the Business Standard, one of the main economic dailies, labelled it "anti-industry" in a front-page headline.

Mr L.K. Advani, president of the BJP, the Hindu radical party on whom the Government depends for a majority in the Lok Sabha (lower house), said: "My overall feeling is of being let down."

By contrast the normally conservative and pro-Congress Times of India praised Mr Madhu Dandavate, the Socialist finance minister, for his "boldness" in seeking to contain the deficit through taxing the rich.

Some of this confusion over interpretation reflects the difficulty Mr Dandavate had in constructing a budget with widely divergent objectives. He wanted to reassure National Front supporters that the government had not forgotten its promises on shifting resources to agriculture and creating more jobs in the rural areas. At the same time he could not afford to frighten the middle classes and the corporate sector which have provided the engine for recent economic growth.

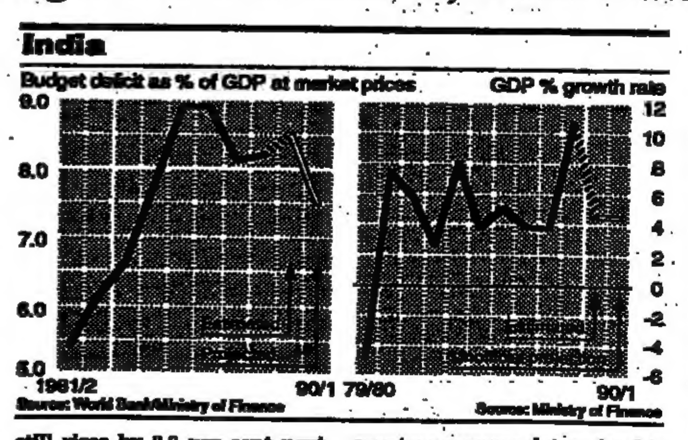
With strains increasing on both the inflation rate and the balance of payments, he wanted to squeeze demand. But with the economy already decelerating to a real gross domestic product growth rate of 4-4.5 per cent after last year's record 10 per cent, he did not want to apply the brakes too strongly.

He ended up with a compromise budget that dodged many of the hard choices. In his search for consensus Mr Dandavate described himself at the end of his speech as a "pragmatic" socialist.

The focal point for the budget – as well as for the issue of Indian economic competitiveness – was the finance ministry's strong warning of the build-up in inflationary and balance of payments strains that have resulted from cumulative budget deficits. Over the last six years the average annual deficit as a proportion of GDP has exceeded 8 per cent. Mr Dandavate's budget takes only modest steps to reverse this trend.

On the Indian definition of the deficit – net borrowing by the government from the central bank – Mr Dandavate was able to show a 60 per cent cut in the projected deficit to Rs72bn (£2.6bn) for 1990-91 which was what helped to impress the stock market.

But on the international definition of what counts as expenditures and receipts, the deficit



still rises by 3.3 per cent next year in nominal terms – though it falls in real terms. As a percentage of GDP, the deficit is projected to decline by 1 percentage point but will remain at a high 7.5 per cent.

Mr S.B. Chavan, the former finance minister, made a similar commitment to deficit reduction last year which was not fulfilled. In an effort to strengthen this government's credibility, Mr Dandavate promised to bring a six-monthly account to parliament.

Though the Government's dependence on the central bank for financing the deficit will diminish, government borrowings from the market and various savings institutions to cover the deficit will grow by more than 20 per cent.

It is still not clear how much the government will raise domestically (thus putting pressure on interest rates) and how much abroad (where India's outstanding debt exceeds $60bn.) But the government now seems determined to avoid fresh borrowing from the International Monetary Fund – which means that its budget projections have to be that much more convincing to obtain good rates from commercial lenders.

The reduction in the deficit has been achieved in part by squeezing the growth in total expenditure to 7 per cent next year (thus below inflation) – or 15 per cent if measured against last year's original budget estimates. As in past years, the growth in capital (development) expenditure has been sacrificed to the growth in current spending.

Within the expenditure envelope, the shift in resources to agriculture has been modest. The most eye-catching scheme is the waiving of Rs10bn of debt owed by farmers and rural workers. The finance ministry now maintains that only Rs24bn of debt is eligible for relief as against the Rs140bn earlier mentioned. But spending on rural development and anti-poverty programmes has been virtually frozen.

Industry had been frightened that Mr Dandavate would show the corporate sector little sympathy. Instead he reduced corporation tax from 50 to 40 per cent but removed the investment allowance which has favoured capital intensive projects such as petrochemicals. The net result of this simplification – which the Government sees as a prelude to simplifying the licensing procedures – is that the direct take from the corporate sector rises by 17 per cent.

The other sectors hit by the budget are the motor vehicle and consumer electronics industries which could suffer a drop in sales as a result of increases in excise duties. Though these have been among the fastest growing in recent years – and potentially a base for export growth – they are seen by the Government as not entirely worthy of support because of their middle class appeal and consumption of foreign exchange through imported components.

The Government is counting on gross tax receipts rising by 13 per cent – which allows for a crackdown on evaders. Mr Dandavate told parliament that the tax authorities were being asked "to pay special attention to vulgar display of ill-gotten wealth" – in particular at wedding receptions.

Overall the budget imposes a mild deflationary squeeze, though Mr Bimal Jalan, the finance secretary, declined to quantify the impact. But it is too small on its own to have much of an impact on the balance of payments.

Gatt says international trade growth set to slow

By William Dullforce in Geneva

THE GROWTH in volume of international trade, one of the driving forces behind the expansion of the world economy, is likely to slow to between 5 and 6 per cent in 1990 from 7 per cent last year, according to the secretariat of the General Agreement on Tariffs and Trade.

But the rate of growth will still equal or exceed the trade performance of four of the past seven years and 1990 will mark another year in which world trade will expend at a substantially faster pace than output. Volume growth in 1988 was 8.5 per cent.

Gatt's preliminary report on international trade developments in 1989-90, released yesterday, qualifies its generally optimistic tone by voicing concern about the persistence of inflation in many parts of the world and its continuing unease about the large current account imbalances among the world's leading trading nations.

Higher interest rates provoked by inflationary pressure could deter business investment, which has been an important source of strength in the current expansion of trade, the secretariat warns.

In value, world merchandise trade passed the $3,000bn mark for the first time to reach a new record of around $3,100bn compared with $2.89bn in 1988.

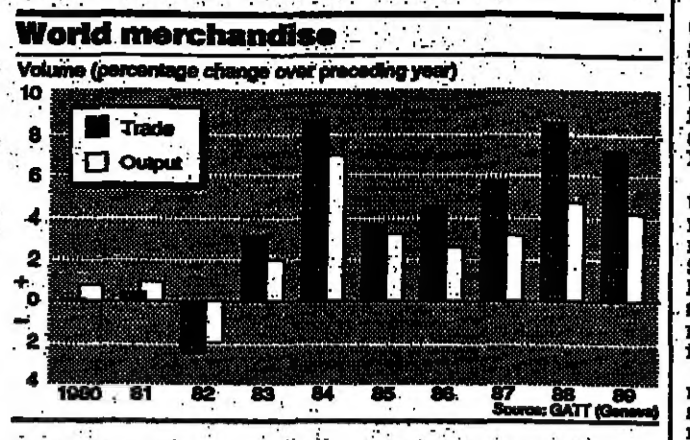
Gatt says it is too early to estimate the value of world trade in commercial services in 1989 but it has revised its 1988 estimate to $600bn from $560bn, indicating that services expanded at a rate of 13 per cent in 1988.

In fact, growth was almost certainly higher, because the secretariat has used 1987 figures for some countries which have not yet reported their data for 1988.

Trade in manufactured goods continued to provide the main expansionary thrust last year. Manufacturing exports climbed by 8 per cent (against 10 per cent in 1988). Mining exports grew by 4.5 per cent (6 per cent) and farm exports by 4 per cent (5 per cent).

The US meanwhile toppled West Germany to regain its position as the world's largest exporter. The volume of US exports grew at nearly twice the world average, reaching a value of $364bn against $341bn for West Germany and $275bn for Japan.

Japan's 4.5 per cent growth rate marked the fourth consecutive year in which it performed below the world average.



Seoul boosts overseas investment

By John Ridding in Seoul

OVERSEAS investment by South Korean companies has increased sharply this year because of fears of protectionism and rising domestic costs, according to the Bank of Korea.

The central bank said that the value of overseas investments approved by the government more than doubled to $251m (£147m) in January and February, compared with the same period last year. The number of projects increased from 46 to 73.

The most popular area for new Korean investment was south-east Asia, which received 37 projects worth $80m.

Most new investments in the region was from the footwear, textiles and electronics industries which have suffered a loss of competitiveness in Korea because of higher domestic wage costs and an appreciation in the value of the Korean currency, the won.

There were 20 new projects in North America, worth a combined value of $152m. Many South Korean companies, particularly in the electronics sector, are setting up manufacturing in the US and Canada to escape protectionist measures.

head

Agnelli family scion in the saddle

John Wyles on a new grouping of the European motorcycle industry

THE launch in Paris yesterday of the Association des Constructeurs Européens de Motocycles (ACEM) marks not only an attempt by Europe's leading motorcycle manufacturers to create a lobby at European Community level, but also the international debut of a 25-year-old Italian manager with a very celebrated name.

Since Giovanni Alberto Agnelli claims some of the credit for having thought of ACEM, he is being rewarded with the presidency of the Brussels-based association. The appointment is a shrewd one, since his is a name which causes doors to spring open and he will have at his elbow Mr Gustavo Denegri, Piaggio's group president, to compensate for his lack of experience.

Agnelli the Younger is the nephew of his namesake president of Fiat and son of Umberto Agnelli, Gianni Agnelli's younger brother, whose first wife was Antonella Bechi Piaggio. After a US university education and military service as a parachutist, Giovanni Alberto joined the family firm, Piaggio, in 1987.

Then came a swift passage through several management functions, culminating in his appointment this year as vice-president of the holding company, Piaggio & C Spa and director of planning and development.

There are those who say that this beguiling, somewhat self-effacing young man is being trained for The Highest Office in the Fiat group. He is highly regarded by his uncle whose own son, Edouardo, aged 35, has shown less aptitude and commitment to industrial management that his younger cousin.

Giovanni says that ACEM springs from three clear requirements: "The need to harmonise technical standards for production of two wheelers and legal regulations governing their use, the need to establish that two wheels have as much social utility as four and the need to establish a Community policy governing the import of Japanese motorcycles."

In addition to Piaggio Veicoli Europei, the founder members of ACEM are Peugeot MTC of France, Derbi of Spain, SIS of Portugal and Fichtel & Sachs/ Nurnberger Hercules Werke of West Germany. Other manufacturers are encouraged to join but the founders already account for two thirds of the European market for motorcycles up to 50cc.

In competing with Japanese producers in segments above 125cc, Giovanni Alberto says that the Europeans are seriously handicapped by differing national standards governing among other things pollution levels, noise, braking and signalling systems.


Giovanni Alberto Agnelli

But harmonisation will not be enough, says the president of ACEM. National restrictions of various kinds on two-wheel imports from Japan should disappear with the opening of the EC's internal market. Like their cousins in the motor industry, the European motorcycle and scooter manufacturers will be seeking a transition period – they are talking of five years – before the Japanese are allowed free entry.

"This is needed above all to allow the development of a components industry of a sufficient size and competitiveness," says Giovanni Alberto.

Piaggio itself is now running hard to position itself for a more competitive future after restructuring forced by the downturn in the motorised two-wheeler market which has plagued European producers for much of the 1980s.

Having diversified into sectors including textiles, chemicals and robotics which now account for 20 per cent of its L1,400bn (£693m) turnover, it is concentrating on strengthening its core business.

Giovanni Alberto says that Europe – where Piaggio sells more than 500,000 pieces – will remain important but the strongest growth in the future should come from India, Indonesia, Thailand and some of the Eastern European countries.

"We are making a big effort in India which is the largest single market in the world for two wheeled vehicles," he says. Piaggio already has equity stakes in two Indian producers – LML and VCCL – which make its cycles under licence and is seeking additional comparable investments.

This year, he says, will be one of transition for Piaggio as it searches for more joint ventures in its diversified operations and develops new products for its core business. And what of the future for its young vice-president? "Well I am not long in experience but I do have ideas. The thing I want to learn more quickly is how to judge people better."

EC agrees to talks on coal industry subsidies

By William Dullforce

THE EUROPEAN Community has put its subsidies to the coal industry on the negotiating table in the Uruguay Round of the General Agreement on Tariffs and Trade. By dropping its opposition to including energy resources in the Gatt Round, the EC yesterday helped to break a procedural deadlock in the group negotiating the liberalisation of trade in natural resource-based goods, such as fuels, minerals, forestry and fish products.

Brussels agreed to negotiate on energy resources within the group provided the issue was not raised in other groups, such as that handling the rules to be applied to subsidies. The coal subsidies are also under scrutiny in internal EC discussions in preparation for the single market in 1993.

The EC concession in Geneva came after an energetic campaign by Australia, backed by the US, to secure a ban on government subsidies to coal producers.

Mr Bob Hawke, the Australian Prime Minister, said "massive subsidising" of coal production in West Germany, Britain and Japan was costing his country billions of dollars in lost export opportunities. Australia and US together account for more than half of world coal exports.

Canberra claims that EC member states subsidise their coal industries to the tune of $12bn a year. Mr Hawke said that in West Germany annual subsidies rose by 70 per cent in the four years to 1988 and that the price of coal was 250 per cent higher than the price of imported coal.

In Britain coal prices were 180 per cent higher than prices for imports. The Australians claimed that Japan had spent roughly $150bn on coal subsidies over the 20 years to 1986 and had doubled the level of spending in the four years to 1988.

EC officials say the procedural agreement reached yesterday does not prevent them from raising the issue of fishing rights in the negotiating group, an idea which is vigorously opposed by the US, Canada, the Latin American countries and Australia.

Countries now have to submit specific proposals on natural resource-based products by April 20.

Ridley unruffled by late Soviet payments

By Peter Montagnon, World Trade Editor

LATE payments by Soviet importers were often the result of "incompetence" by newly authorised foreign trade organisations and should not cause undue worry in the West, Mr Nicholas Ridley, UK Trade and Industry Secretary said.

Speaking shortly after returning from a trip to Moscow, where he raised the problem with his Soviet counterparts, Mr Ridley said the Gorbachev regime was trying to make its enterprises learn to manage their own affairs responsibly.

"It's hard for us to quarrel with that," he said in an interview, even though the adjustment process might cause some temporary difficulties.

His visit, at the head of a large UK trade delegation, had shown that there were still lucrative export opportunities in the Soviet Union for traditional exporters who understood the market, he added.

Mr Ridley also visited Poland where he said the UK would "look more closely" at the possibility of making export credit cover available, though nothing was being promised as yet.

Although both France and West Germany have restored cover, Poland had a very large $40bn foreign debt, he said.

He doubted whether it was wise to add to this debt, but said British companies should consider direct investment in Poland, where assets were being made available at bargain prices as a result of the country's privatisation programme. Poland was also a good potential base for manufacturing for the West European market, he said.

Mr Ridley also had a message for exporters who are worried that higher premiums planned by the Export Credits Guarantee Department for cover in difficult markets would undermine UK competitiveness in world capital goods market. Businessmen who expressed such fears were "talking through their hats."

"We are be no means going to throttle ECGD," he said. It had to be more commercial, however, and exporters were simply trying to put pressure on the Government ahead of decisions that had not yet been finalised. Exporters should refrain from comment until these decisions were made.

ABB describes 'horror' of E Germany's infrastructure

By Nick Garnett

THE MANUFACTURING and industrial service infrastructure of East Germany was a "horror scene", Asea Brown Boveri (ABB), the large electrical engineering group said yesterday.

But that country offered the biggest investment opportunities in eastern Europe.

In a survey of East Germany's needs, ABB said it estimated that to modernise and extend the transport infrastructure would cost DM100bn (£36.6bn) to DM150bn.

More than 60 per cent of the East German rail system was single track and only about 25 per cent of the system was electrified.

The company, which has its headquarters in Switzerland, said installing new power stations in East Germany would cost DM40bn.

Power plants in East Germany were so inefficient that they consumed 35 per cent more coal than a comparable but modern station in western Europe.

A further DM14bn would be required to install gas control anti-pollution equipment on power stations.

Mr Eberhard von Koerber, ABB's board member responsible for eastern Europe, said East Germany also needed 8m new telephone extensions. Antiquated manufacturing equipment partly accounted for a productivity level only 25 to 50 per cent that of West Germany, he added.

For the whole of eastern Europe, excluding the Soviet Union, ABB said that power station capacity was 1,600W per person, compared with 3,700W in Scandinavia.

Congress suspends Chile laws

By Leslie Crawford in Valparaiso

THE CHILEAN Congress has begun work, for the first time in more than 16 years, by suspending laws inherited from the military regime.

The congress is expected, in the next few weeks, to revise the anti-terrorist law, the death penalty, the budget, tax and labour legislation, curbs on freedom of expression and a plethora of laws decreed by the military junta in the final months of General Augusto Pinochet's dictatorship, which stepped down last week.

President Patricio Aylwin's ministers began work on the package of reforms long before the new civilian government took office. To ensure a smooth passage through Congress, they are negotiating details in advance with right- wing opposition parties.

Mr Aylwin, a Christian Democrat who campaigned for reconciliation, needs the co-operation of the right because his centre-left coalition won an absolute majority in the House of Representatives but lacks one in the Senate due to the military regime having exercised its right to appoint nine of the 47 senators.

The right wing parties have pledged "constructive opposition". They regard themselves as the defenders of Gen Pinochet's liberal economic policy but they have yet to establish their democratic credentials.

Most congress members are holding elective office for the first time. The setting is also new: a half finished building bequeathed by General Pinochet and overlooking the Pacific Ocean in the port of Valparaíso.

Guerrillas shoot retired junta general

LEFT-WING guerrillas in Chile yesterday shot and seriously wounded former Chilean Air Force commander-in-chief Gustavo Leigh, a leader of the bloody coup that installed the military in power 16 years ago, Reuter reports from Santiago.

The shooting came 10 days after a civilian government took office under Christian Democrat President Patricio Aylwin, ending 16½ years of harsh military rule under General Augusto Pinochet.

Gen Leigh, a retired general, was reported to be in a critical condition in a military hospital, doctors said.

A spokeswoman for an armed wing of the Communist Party claimed responsibility for the shooting in a telephone call to a local radio station, calling Gen Leigh a "cruel ideologue" of the coup in which Pinochet seized power in 1973.

Two men entered Leigh's real estate offices in a residential sector of Santiago and pumped six bullets into Leigh's face, chest and legs, police said. His business partner Mr Enrique Ruiz, also a retired Air Force general, was hit by three bullets when he tried to defend Gen Leigh, police said.

As Air Force chief, Gen Leigh ordered Hawker Hunter jets to fire rockets at the presidential palace in the violent 1973 overthrowal of elected Marxist president Salvador Allende who was found dead in the palace after the incident.

Human rights groups accuse Gen Leigh of forming a death squad that hunted down and murdered hundreds of Communist Party militants between 1973 and 1976.

"Today we have tried to do justice by killing General Leigh, one of the cruelest ideologues of the thousands of murders committed during the dictatorship," the spokeswoman for the Manuel Rodriguez Patriotic Front (FPMR) told Radio Cooperativa.

The spokeswoman warned that the group would continue killing former members of the Pinochet junta if armed forces members accused of human rights violations are not brought to trial by the new civilian government.

Bush backs Poland over border issue

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush yesterday assured Mr Tadeusz Mazowiecki, the Polish Prime Minister, of US support for maintaining Poland's current borders with a reunified Germany.

However, the US will not agree to Poland's desire for full participation in the "two-plus-four" talks of the two German states and the four wartime allies on the security aspects of reunification.

US officials believe Poland has won a "considerable victory" in being included in the talks when border issues are discussed. Mr Bush said that "in any decisions affecting the fate of Poland, Poland must have a voice."

Before yesterday's meeting Mr Bush had talked by phone on Tuesday with Chancellor Helmut Kohl of West Germany to discuss the Polish borders question as well as German unification following Sunday's East German elections. Mr Bush underlined the US's strong support for the Helsinki Final Act and its call for the inviolability of borders.

Mr Mazowiecki discussed with Mr Bush the Polish desire for a treaty guaranteeing his country's western borders with Germany.

Argentine minister extends powers

By Gary Mead in Buenos Aires

MR ANTONIO Erman Gonzalez, Argentine Economy Minister, has appointed himself governor of the country's Central Bank, after the drawn-out departure of Mr Enrique Folcini.

Mr Gonzalez – an accountant who ran President Carlos Menem's economic ministry in La Rioja province, where Mr Menem was governor before he became president – now has full responsibility for managing Argentina's economic affairs.

The minister becomes the fifth governor since President Menem took office almost nine months ago. His ministerial portfolio also covers the financial administration of state-owned companies.

Mr Folcini presented his resignation on March 7 after a row over his authorisation of short-term Central Bank loans of $35.4m to several Argentine commercial banks.

He described the loans, known as re-discounts, as entirely within normal Central Bank practice. However, many such loans to the country's densely packed private banking sector, with almost 200 institutions, are granted to prop up ailing banks.

The International Monetary Fund and the World Bank have long argued that the sector should be weeded out. Successive governments have postponed this politically sensitive reform.

Many Argentine politicians have close relationships with private banks, while certain senior government officials have legal cases pending against them over alleged infringements of banking regulations. One such is Mr Carlos Carballo, Argentina's foreign debt negotiator and now appointed by Mr Gonzalez as his deputy in the Economy Ministry.

One of Mr Gonzalez's main tasks is to persuade the IMF to unblock soon more than $1bn in loans suspended early this year when the Menem government failed to meet agreed economic targets. Argentina has made no interest payments on its $60bn debt since April 1988; interest arrears are now approaching $6bn.

Telecoms privatisation hits political trouble

By Gary Mead

PRESIDENT Carlos Menem's plans to privatise ENTel, Argentina's telecommunications company, are meeting stiff Congressional opposition from both his own Peronists and the main opposition Radical party.

ENTel is to be split into two geographically determined companies (north and south), and to be in private hands by October.

However, Congressional deputies are demanding substantial changes in the terms of the sale. These could threaten to reduce ENTel's potential profitability for the half-dozen or so international companies showing interest in buying.

Congressional opponents want to see ENTel's promised state-guaranteed profit (16 per cent a year) calculated on the basis of the capital invested in the two newly privatised companies, some $1.8bn. They regard the government's stated terms for the sale, which calculate the 16 per cent profit on the basis of the current net asset value of ENTel ($3.5bn) as too generous.

If the proposed change is accepted by Mr Menem's government, net annual profit for both companies would shrink to $240m, rather than the originally conceived $500m.

Congressional opponents of the sale also hope to dilute other aspects of the offer. They particularly oppose the debt-equity swap arrangements in the offer. Purchasers of ENTel will require a relatively small amount of cash – $100m for one company and $113 for the other – with most of the remaining $1.6bn being achieved via swaps for Argentine foreign debt, now generally trading at 12 cents to the dollar on secondary markets.

Under the government's scheme, debt will be accepted at face value; opponents want to see a large discount.

If Mr Menem approves the proposed changes, which are advocated by members of his own Peronist party, he risks damaging his crucial political alliance with the Centre Democratic Union (UCD), on whose backing he has become dependent to implement his economic reform programme.

On Tuesday, the government retreated over one controversial ENTel issue. It had announced last week an immediate 400 per cent increase in telephone charges, for a total rise of 2,395 per cent since January 1. After a storm of public and cross-party protest, that increase has now been postponed until the end of March.

Yesterday 22 public sector trade unions staged a one-day strike against Mr Menem's privatisation programme.

A bilateral route to Venezuela debt deal

Stephen Fidler on a novel accord

THE agreement announced this week between Venezuela and its creditor banks on a reduction and a restructuring of about $20.5bn of loans emerged from a novel negotiating process involving bilateral talks between government negotiators and leading bank lenders.

The agreement is the fourth under the new international debt initiative launched a year ago by the US Treasury Secretary, Mr Nicholas Brady.

VENEZUELAN business and unions yesterday welcomed the restructuring agreement, Joe Mann reports from Caracas.

President Carlos Andrés Pérez said that the overall reduction in outstanding debt should be "no less than 25 per cent" of the amount to be restructured, or about $20.6bn.

Business hopes the government will now provide help to repay $3.1bn in private sector foreign debt.

In an approach not seen before in almost eight years of bank-debtor negotiations, individual banks on the advisory committee, led by Chase Manhattan, were allowed to pursue their own ideas with the Venezuelans.

At times, it seemed possible that there would be no agreement backed by the entire committee, but in the event it produced a deal which was being generally welcomed by banks and others yesterday.

It contains the following options for banks:

● New money: Banks make new loans equivalent to 20 per cent of their exposure over two years. The "new money" will be in the form of a bond, with a 15-year maturity and seven-years' grace before interest is due. Sixty per cent of these bonds will be in the name of the central bank and carry a ⅞-point interest margin and the remainder in the name of the republic, carrying a 1-point margin. The "old money" will be rolled into so-called exchange bonds with a 17-year maturity, seven years' grace and a ⅞-point interest margin.

● Bonds for loans: In a structure used in the Mexican package, loans can be exchanged for 30-year bonds, with a guarantee of principal and 14-months' interest. These bonds carry either a reduced fixed-interest rate of 6¾ per cent, or at a floating interest margin of ⅞ point and a face value written down by 30 per cent. If oil prices rise to a specified level, the banks are entitled to recoup some value on the bonds after a six-year grace period.

● Temporary interest reduction: Banks swap their old loans for new 17-year bond, with interest of 5 per cent for years one and two, 6 per cent for years three and four, and 7 per cent for year five, when it reverts to a floating margin of ⅞ point. Interest collateral will be provided for 12 months. It is the first time this option has been seen in any Brady package.

● Cash buy-back: Banks tender their loans for cash at a price yet to be fixed. The price for Venezuelan bank loans rallied yesterday to indicate a price of 40 per cent – the rumoured target the Venezuelans have set.

The Venezuelans are said to be seeking about $1bn in new loans, meaning banks representing about a quarter of the debt would be expected to opt for this. While raising new funds has been a problem in the previous Brady deals for the Philippines and Mexico, bankers said some banks appeared to be looking favourably on this option.

The government has said that it is seeking cash-flow savings of about $1bn from the agreement, but many banks believe that, in view of recent rises in the oil price, this is more than what the country needs.

Venezuela, which agreed to bring its interest payments up to date by the end of this month to secure the agreement, successfully resisted calls for a restructuring of the debt of banks not wishing to take any of the above options. It argued that this would have been a signal to encourage banks not to participate.

Each of the options involves banks entering new legal agreements with the Venezuelans, potentially marginalising any banks that do not participate in the options.

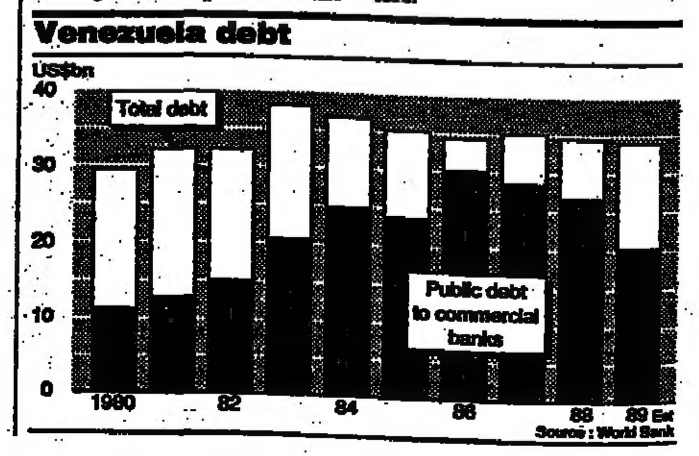
Bankers greeted the array of options – the broadest in any Brady deal so far – positively. It was also felt that, particularly for domestic political consumption, Venezuelans could point to the likely deep discount in the cash buy-back as evidence they had negotiated a tough deal.

None the less, the discount on the bonds-for-loans swap of 30 per cent was below the 35 per cent achieved by Mexico, and compared with the 50 per cent which the Government had originally demanded. Offsetting this, Venezuela has only granted a 14-month interest guarantee against Mexico's 18-month.

It is not clear how much official support is available for the package, which will be backed by the International Monetary Fund and World Bank. Some $700m is said to be forthcoming from the IMF, while the Japanese Export-Import Bank and other governments, including possibly Spain, are thought to be contemplating support.

Significant work remains to be done on finalising the options, a process likely to take several weeks. However, bankers are conscious that expected talks with Brazil may soon begin to complicate matters.

Venezuela debt



Loan sales to debtors favoured

Banks welcome spur to cut LDC debt burdens

By Stephen Fidler, Euromarkets Correspondent

CONCESSIONS in Tuesday's budget to encourage banks to participate in deals which reduce the debt burdens of developing countries were broadly welcomed yesterday.

For the first time, the UK tax system will discriminate – albeit modestly – in favour of banks which sell their loans back to a debtor country at a discount to face value.

The new international debt initiative launched a year ago by the US Treasury Secretary, Mr Nicholas Brady, changed the focus of Third World debt strategy away from the continued provisions of new loans by banks and towards the reduction of bank debt burdens of those highly-indebted countries agreeing economic programmes with the International Monetary Fund.

Mr Brady called for a review of regulatory, tax and accounting procedures which stand in the way of lowering debts. Until the budget, there had been no response from the UK tax authorities to the call.

The benefits are rather narrow. The new rules will only affect the sale of loans at prices where the discounts are substantially deeper than implied by the matrix – the guideline established by the Bank of England for UK banks' third world debt provisions.

In these circumstances it will be more advantageous to banks to sell their sovereign debt back to the borrowing country, than, say, to another bank. This is because the loss can be charged off immediately against taxes only if the sale takes place to a debtor country - if the sale is made to another bank, the charge-off would have to spread out over a number of years.

GUINNESS TRIAL

Directors lost trust in Saunders, court told

By Raymond Hughes, Law Courts Correspondent

Mr Ernest Saunders was suspended as chairman and chief executive of Guinness in January, 1987, because he had "lost the confidence and trust" of his fellow directors, the Guinness trial jury heard yesterday.

Sir Norman Macfarlane, now Guinness's deputy chairman, said the board had considered that Mr Saunders had authorised and permitted, or been responsible for, substantial actions undertaken without disclosure to the board.

Sir Norman, chairman and chief executive of Macfarlane Group (Clansman), has been called as a witness by the prosecution in the trial of Mr Saunders, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier.

The four have denied charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers.

Sir Norman was cross-examined by Mr Richard Ferguson, QC, for Mr Saunders.

Mr Ferguson asked why other Guinness directors had not been invited to meetings the new non-executive directors had with Lazards, Guinness's merchant bank, and why solicitors Herbert Smith had been at those meetings.

Sir Norman said that the new non-executive directors had not known "who knew what" and "who was on which side" as far as the Roux allegations were concerned.

The trial continues today.

OBITUARY

Rothschild: life in high office

LORD ROTHSCHILD, the Cambridge biologist, who died on Tuesday aged 79, was an accomplished scientist who moved with astonishing facility between academe, industry and government, holding high office in all three.

Nathaniel Mayer Victor Rothschild is most widely known, however, for the four years he spent during the Heath Government of the early 1970s as the founding director of the Central Policy Review Staff in the Cabinet Office, better known as the Whitehall thinktank.

His connections with academic science were put to good use in his years with Royal Dutch-Shell, where as group co-ordinator for research and development he steered the oil company into new pastures, including the methane-fired fuel cell and single-cell protein made from North Sea gas.

When Rothschild left Whitehall in 1974, the thinktank he created slowly withered and died. He divided his time between the City, as a director of merchant bankers N.M.Rothschild and his beloved Cambridge.

In 1981 he persuaded the bank to let him set up a trust specialising in investments in genetic engineering and its application to biotechnology. As chairman of Biotechnology Investments Ltd.(BIL), he ran a commercially successful fund supporting bio-entrepreneurs.

Lord Rothschild retired as BIL's chairman a year ago, after recruiting Lord Armstrong - a colleague from days in the Cabinet Office - as his successor.

TNT stays quiet over Post Office options

Kevin Brown says mail monopoly unlikely to end before EC postal plans become law

TNT, the aggressive Australian-based transport group, has been uncharacteristically reticent since the Government was forced to disclose recently that it was considering the options for breaking the Post Office monopoly on letters costing less than £1.

TNT denies being the source of the leak that it was in talks with the Government, although it told journalists much the same thing during the Post Office national strike two years ago.

The Department of Trade and Industry has confirmed that talks have been taking place, but has insisted that no viable alternatives to the present system have yet been put forward.

TNT executives are unwilling to say publicly what alternatives they have suggested.

Mr Nicholas Ridley, the Trade and Industry Secretary, is refusing interviews on the subject and has instructed civil servants and other Ministers not to discuss the matter.

Privately, officials say Mr Ridley's options are limited to privatising ParcelForce, the Royal Mail's profitable parcels business, and introducing an element of competition into the letters business.

This would be done either by licensing a competitor in the basic first and second-class letters market or by encouraging the development of a competitive market in premium mail by lowering the price threshold for private operators.

A competitive market already exists for items costing more than £1, but it is tiny in *proportion to the 13bn letters* carried each year by the Post Office. Companies say it could be stimulated by reducing the threshold to, say, 40p – double the basic letter cost.

That is regarded as a more realistic option than a duopoly, partly because TNT is the only company that seems interested in carrying letters for 20p. Other private-sector companies say the difficulties of duplicating the Post Office infrastructure would be immense.

The issue is complicated by the fact that the European Commission is drafting a Green Paper which will set out a framework for postal services throughout the Community. It is unlikely to be translated into Community law before 1992, so Mr Ridley is unlikely to act before the next general election, due that year.

The debate over privatisation and deregulation coincides with a wide-ranging review by the Post Office. It is clear that some of the options open to Mr Ridley might not be unwelcome to Sir Bryan Nicholson, the Post Office chairman.

Sir Bryan, 57, took over two years ago after many years in private industry. He says his instincts remain those of the private-sector businessman, and claims to find it "distasteful" to have to defend the postal monopoly.

The review, being carried out by Sir Bryan and other senior staff, has concluded that action is needed to cope with annual growth of 5 per cent in the letters business, which will make it increasingly difficult to meet delivery targets, especially for first-class mail.

At the moment, the target of 90 per cent of first-class letters being delivered next day is met only for mail travelling less than 50 miles. Over the medium distance – up to 150 miles – the success rate falls to 80 per cent, and it is just 70 per cent for long-distance mail.

The review team feels that the public may have to accept more realistic mail targets.

"It is extremely unlikely that for 20p you could take 100 per cent of letters overnight from, for example, Taunton to Skegness," Sir Bryan says. "It could not have been done even in Victorian times, even though they only carried 17m letters a year – less than half what we carry every day.

One possibility being considered by the review team is a cheap, guaranteed letter service positioned between first-class mail and the existing private services costing more than £1.

There is little incentive for the Post Office to introduce such a service while it retains a monopoly, because rational customers will already be using first-class mail for any letters for which they are unwilling to pay more than £1.

However, the Post Office is aware that this is one of the options being considered by Mr Ridley, and is preparing itself for any competitive market he might introduce.

Such a service would free the Post Office to concentrate on speeding the flow of ordinary letters along the main rail lines between the big cities. It could also provide the opportunity to end the division of the *basic letter service* into two classes, which many Post Office managers think was a mistake.

Sir Bryan will only say that the introduction of the division in 1974 "may" have been an error, although he admits that the abolition of first-class is being considered.

Sir Bryan emphasises that no decisions have been made, but suggests that changes will be forced on the Post Office by the mid 1990s by the growth of business and the impossibility of meeting first class targets.

British Telecom to invest £40m in digital network

Edinburgh wins telecoms loop

By Charles Leadbeater, Industrial Editor

British Telecom is to invest £40m to provide Edinburgh businesses with the most advanced telecommunications infrastructure in the UK.

The so-called Edinburgh Loop will be capable of carrying computer information, text, graphics and pictures as well as voice communication.

It will involve the introduction of digital exchanges and an extensive network of fibre optic cables with the capacity to carry large quantities of digitalised information.

The system will make little difference to the average domestic telephone user, but it should significantly enhance Edinburgh's role as a centre for financial services and computing-based industries.

The planned system is more advanced than the services BT currently provides to customers in the City of London and is matched only, in local investment terms, by an initiative for a modernised infrastructure in Northern Ireland.

BT's plans were disclosed by Mr Malcolm Rifkind, the Secretary of State for Scotland, at a lunch in London for executives from international financial services companies, identified as potential investors in Scotland.

The company is expected to make a formal announcement on the system after Easter and is likely this summer to announce more such schemes.

About a third of the companies which are discussing moving to Scotland from the south east are in the financial services sector, say London officials of the Locate in Scotland bureau.

Mr Rifkind told more than 50 executives from British, American, West German and Japanese companies that the telecommunications investment, combined with salary costs a third below those in the City, cheaper housing and a higher quality of life than London meant Scotland was ideal for relocation. He said companies would save £2m a year on a 30,000 sq ft office.

It is hoped to build on the established Scottish financial services sector, which employs 172,000 people – 10 per cent of the adult population – to develop Edinburgh as a European centre for investment and fund management to compliment London's role as an international market.

● Hewlett-Packard, the US computer and electronics manufacturer, is to close Apollo Computer's plant at Livingston, West Lothian, Scotland, writes James Buxton.

Apollo is the US computer workstations manufacturer which Hewlett-Packard acquired last year. Manufacturing is to be transferred to Hewlett-Packard's plant at Boeblingen in West Germany. The 124 employees in Scotland will be offered other jobs with Hewlett-Packard.

New inquiry into IRA bomb case verdicts

By Alan Pike, Social Affairs Correspondent

FRESH POLICE investigations have been ordered into the case of the Birmingham Six, imprisoned for Irish Republican Army pub bombings in 1974 in which 21 people died and 162 were injured.

Mr David Waddington, Home Secretary, announced in the House of Commons that he had asked Mr Geoffrey Dear, chief constable of the West Midlands, for a report on new issues involving the convictions which he had received from the men's solicitors.

"I understand the chief constable has decided to ask the Devon and Cornwall Constabulary, who carried out investigations in 1987 into certain aspects of the case, to investigate the matters now under consideration," said Mr Waddington.

The Home Secretary said that "in the light of the outcome of those investigations" he would consider whether his intervention in the convictions would be justified.

The case of the Birmingham Six has been the subject of intense controversy over many years. It was referred back to the Court of Appeal two years ago but the court dismissed the appeals.

Since then the controversy has reached new heights following the release of the Guildford Four, who had been convicted of other IRA mainland pub bombings, amid allegations about the conduct of the West Midlands Serious Crime Squad.

The continued imprisonment of the Birmingham Six has been a source of friction in Anglo-Irish relations. Many prominent people have been involved in the campaign for their case to be re-examined and one of these, Cardinal Basil Hume, Roman Catholic Archbishop of Westminster, said yesterday: "I warmly welcome the decision of the Home Secretary."

UK NEWS

Fear of poll defeat cools Tory budget celebrations

By Philip Stephens and Michael Cassell

FEARS that the Government faces a spectacular defeat in today's Mid-Staffordshire by-election and a renewed political row over the new local government poll tax yesterday took some of the political shine of Mr John Major's first budget.

Mr John Smith, the opposition Labour party's shadow chancellor, launched a scathing attack on an "irrelevant budget". Some Conservative MPs joined with the opposition in demanding extra money for poll tax rebates in Scotland.

In what was seen as a typically strong performance, Mr Smith said that the failure of the Government's economic strategy had left Britain "top of the inflation league, top of the trade deficit league and bottom of economic growth league".

Mr Major was seen as signalling the start of a broader effort by the Government to be be more sensitive to the views of the electorate, particularly those on lower incomes.

The City of London's negative reaction to the budget and the concern over the expected result in Mid-Staffordshire refocused attention, however, on what senior ministers expect to be a bleak few months.

Mr Kenneth Baker, the Conservative Party chairman, continued to forecast publicly yesterday that the Government would hold on to the seat. He appeared, however, to acknowledge the possibility of defeat when he insisted that the by-election result would not carry wider implications for the Government.

Labour is increasing confidently that the unpopularity of high mortgage rates and the poll tax will allow it to overturn a 14,600 Conservative majority to achieve what would be its biggest by-election victory since 1935. It believes that such a victory will pave the way for gains in the May local elections.

Privately some ministers were conceding that the Government had mishandled the introduction of the new poll tax rebate rules by not anticipating the intense protests from Scotland where the tax has already been levied. Despite the administrative difficulties, one member of the Cabinet said the Government should "simply write a cheque to the Scots" to defuse the row.

The Government's embarassment was compounded by the fact that it was forced to concede that the concessions in England and Wales will benefit fewer people than the 250,000 originally announced.

● Senior British businessmen are evenly split over whether they think the Conservative Party will have a better chance of winning the next general election if Mrs Margaret Thatcher stays or goes as Prime Minister - and just over one third of them believe that the Labour Party will win the next general election anyway.

ICM Research, for the Financial Times, interviewed 516 directors of companies with reported sales of £15m plus on March 21 1990. Companies were selected at random from Key British Enterprises. All interviews were conducted by telephone.

Anglo-French team set to win contract for new Severn bridge

By Andrew Taylor, Construction Correspondent

AN Anglo-French consortium of John Laing, the British construction company, and GTM Entrepose, the large French engineering group, has been recommended to build a £300m privately financed toll bridge across the Severn estuary.

The recommendation was made to Mr Cecil Parkinson, UK Transport Secretary, by Department of Transport officials.

The road bridge would be at English Stones, three miles from the existing bridge, which was built 22 years ago and is now insufficient to handle all the traffic generated by a much improved economy in south Wales.

The consortium would also take over the debts and operation of the existing bridge. The total cost of the project is expected to be about £800m.

GTM Entrepose is expected to provide the design for the bridge.

The consortium is understood to have strong support from French financial institutions, including Credit Agricole.

These institutions see the bridge as an opportunity to break into the British market for privately financed infrastructure projects.

This trend is expected to grow following the privatisation of the water and electricity supply industries. Plans for light rail systems involving private finance have been proposed by British cities including Manchester and Bristol.

The proposal by John Laing and GTM Entrepose was chosen rather than a similar scheme from an all-British consortium of Trafalgar House the construction, property, shipping and hotels group and BICC engineering group.

The Laing proposal, which is expected to be financed almost entirely by debt with almost no equity, is understood to have worked out slightly cheaper than the proposal from Trafalgar House and BICC.

Their scheme would have involved a larger element of equity, requiring a higher rate of return than an all-debt scheme.

Mr Parkinson is expected to confirm very soon the award of a concession to finance and operate a privately financed Severn bridge.

Trafalgar House and BICC are currently bidding to build a privately financed road between the Scottish mainland and the Isle of Skye. Trafalgar House is also building a privately financed toll bridge at Dartford across the River Thames.

In Brief

Schroders disclosed profits up by 55%

SCHRODERS, the City of London merchant banking group which has advised on many of the UK's largest takeover and privatisation deals, yesterday reported a steep growth in 1989 earnings.

Disclosed profits after transfer to inner reserves and tax were up 55 per cent to £46.8m from £30.1m and the total dividend is being increased by 28 per cent to 25p. The bulk of its profits came from the corporate finance business which had a record year.

GEC Alsthom dropped

GEC ALSTHOM, the Franco-British heavy-engineering group, has been dropped from consideration for the contract to build Britain's second-largest gas-fired power station, at Killingholme, Humberside.

The plant, to be ordered by National Power – one of the successor companies to the Central Electricity Generating Board – is expected to receive government approval within two weeks.

Bupa cleared by MMC

A STRATEGY by Bupa, Britain's leading health insurer, to acquire a national network of private hospitals won the approval of the Monopolies and Mergers Commission yesterday.

In November the £22m bid was referred to the commission by Mr Nicholas Ridley, Secretary for Trade and Industry.

Renault plant warning

MR JEAN-PIERRE Capron, chairman and chief executive of Renault Véhicules Industriels, the French truck maker, gave a stark warning yesterday that the company would close down its heavily loss-making UK assembly plant, if it failed to match the productivity and quality levels of the group's French and Spanish operations.

BP budget response

BRITISH PETROLEUM yesterday became the first large company to announce plans to establish a workplace nursery following the changes in child-care tax treatment announced in Tuesday's Budget.

BUSINESS LAW

Delaware Supreme Court boosts powers of takeover target boards

By Leo Herzel and Richard W Shepro

In line with the anti-takeover mood in the US, the Delaware Supreme Court's long-awaited opinion on the Time/Paramount takeover battle greatly expanded the powers of directors of target companies.

The court, which last summer affirmed the Delaware Chancery Court's opinion in favour of Time without giving its reasons, ruled that a target board can continue to pursue its business plan even when that would prevent shareholders from receiving a very high takeover premium.

Paramount had launched a hostile high-premium tender offer for Time when Time was about to merge with Warner.

Under the rules of the New York Stock Exchange, the merger required approval of Time's shareholders. In the face of the Paramount offer, it was apparent that Time's shareholders would not approve the merger.

To avoid the need for a shareholder vote, the Time directors, with the agreement of Warner, decided to restructure the transaction as a cash tender offer (with a premium) by Time for control of Warner.

The agreement also provided for a merger at the same price to follow the tender offer but using securities.

Paramount's problem was that it needed time-consuming local approvals to obtain control of Time's cable television network. For this and other reasons, Paramount could not complete its offer soon enough to stop Time from acquiring Warner.

Paramount's only recourse was to the courts, so it sued in the Delaware Chancery Court to stop Time's tender offer for Warner. The Chancery Court refused to interfere with Time's tender offer. The Supreme Court affirmed, promising an opinion later.

The Delaware Supreme Court's opinion, handed down on February 26, makes two very important points.

First, the initial merger agreement between Time and Warner did not impose a duty on Time's directors to put the company up for auction as Paramount had argued. In the court's view, the pivotal question on this issue was whether the original abandoned merger with Warner had put Time up for sale.

The court's answer was no because there was no "substantial evidence to conclude that Time's board, in negotiating with Warner, made the dissolution or break-up of the corporate entity inevitable."

This pronouncement is an important step in clearing up some of the greater ambiguities on the duty to auction that the court left behind in its 1986 opinion in *Revlon v MacAndrews & Forbes Holdings Inc.*(1)

None the less, the opinion leaves plenty of room for new litigation: when is the dissolution or break-up of the corporate entity inevitable?

The court's second main point was to outline the very broad powers of boards of directors in takeover situations.

The board's "duty to manage a corporate enterprise" includes the selection of a time frame for achievement of corporate goals; this duty "may not be delegated to the stockholders;" and "directors are not obliged to abandon a deliberately conceived corporate plan for short-term shareholder profit unless there is clearly no basis to sustain the corporate strategy."

Very plainly, the court extended the power to target boards, under some circumstances, to reject high premium takeover bids and, when there is more than one bid, to accept a low bid that fits into the board's strategy.

However, it would be imprudent to assume that the court's sympathetic general statements give target company directors a completely free hand. Conflicts of interest, for example, clearly are still out.

In fact, since the court is acutely sensitive to Delaware's delicate balance in the US corporate and political worlds, it rarely gives without also taking. Thus, conflicts of interest are likely to be dealt with even more severely than before.

Furthermore, it is still not quite clear from the opinion how far a target board can go with poison pills, lock-ups and similar anti-takeover devices to protect a favoured bid.

Poison pills were not an issue in this case. Time had one but it did not need to use it to fend off Paramount. It was Paramount that was asking the court for help to stop Time's tender offer for Warner since Paramount needed more time to complete its offer for Time.

On the other hand, Time and Warner had an agreement to exchange shares (about 10 per cent of each company) which should either be called a lock-up or a very close relative. (*A lock-up is an option on an important asset of the target given to a favoured bidder to discourage competing bids.*)

The court chose to call the share exchange agreement a "structural safety device" which "had been adopted for a rational business purpose: to deter Time and Warner from being put in play by their original merger agreement."

For this reason, it did not violate the court's tough pronouncements against lock-ups in the Revlon case.

In short, the court thought it was a good lock-up. Only time will tell whether this opinion has made it easier to distinguish good from bad lock-ups.

After this opinion, target board procedures should become more important than ever. The opinion encourages target boards to make a record showing a pre-existing corporate business plan or that the dissolution or break-up of the company will not be inevitable even in a merger or sale in which the company's shareholders receive cash for all of their stock.

Unlike many other states, the Delaware legislature has not enacted strong anti-takeover laws. It passed one relatively mild compromise measure early in 1988, but has not done anything since.

With this judgment, the Delaware Supreme Court has moved Delaware much closer to the general anti-takeover sentiment in the US epitomised by new state statutes broadening the powers of target boards of directors to resist takeovers.

The opinion is the latest in a series of blows to the takeover industry in the US during the last three or four years. In retrospect, the first clear signs were the insider trading scandals which cast an air of suspicion over takeover activity.

Next came the 1987 US Supreme Court's opinion in the *CTS case (2)*, which probably already reflected the negative influence of these scandals.

The CTS judgment upheld the constitutionality of an Indiana law restricting the voting of shares in takeovers. Many states moved quickly through the opening created by the US Supreme Court by passing a variety of laws restricting takeovers.

Combined with the decline of the junk bond market, anti-takeover changes in state legal rules, like this one, are making hostile acquisitions very difficult. On the other hand, friendly negotiated mergers with a clear business goal should be much easier and less costly to achieve because they will face less competition.

In the last 25 years, academic economists have been the intellectual backbone of the takeover movement. They correctly argued that the threat of takeovers was an important discipline on the self-serving behaviour of corporate managers. Recently, some of these economists have begun to have doubts about other effects of takeovers such as a pervasive short-term outlook, too much corporate debt and too many bad acquisitions by bidders.

In the future, the chief constraint on managers' self-interested behaviour may have to be more aggressive institutional shareholders and sceptical and independent boards of directors. Probably not an easy or ideal solution but a possible one.

Some of the old takeover professionals will probably still be around using different techniques. Proxy fights, for example, are notably on the rise. But compared to cash tender offers they are a feeble alternative.

However, hostile takeovers for business-fit reasons (for example, the recent successful Georgia-Pacific bid for Great Northern Nekoosa) should not be counted out.

(1) 506 A 2d 173
(2) 481 US 69

The authors are partners in the Chicago office of the law firm of Mayer, Brown & Platt.

Direct sales

Amway builds a Japanese network

Stefan Wagstyl explains how one American group penetrated the impenetrable

Alongside IBM, Coca-Cola, and Shell in the list of the 10 largest foreign companies in Japan, stands Amway, a privately-owned US direct sales group, which arrived in Japan only in 1979.

Amway has achieved the fastest growth in sales and profits of any foreign company in Japan in the past decade. In the year to last August it made Y26.12bn pre-tax on sales of Y76.4bn (£309m). Among all companies in health and household products, its profits were second only to Kao, the Japanese industry leader.

At a time when US and European government officials claim Japanese markets are often impenetrable for foreigners, Amway boasts they are wide open. William Hemmet, president of Amway's Japanese operations, says: "Japanese markets are not closed to us. They never have been."

He maintains this view despite the fact that Japanese companies, having launched a counter-attack, have succeeded in bringing Amway's phenomenal growth rate almost to a halt. Amway is not complaining about unfair competition, though. Instead, it is squaring up to its local competitors.

The company has not so much broken through the barriers which have confounded other companies as found a way around them.

It does not use retailers and wholesalers but relies instead on its own sales network of 700,000 part-time and full-time agents. These commission-only distributors sell toiletries and household goods through catalogues mainly to their neighbours, friends and relatives.

This is a form of network selling which has met with criticism, both in the US and Europe, but which is very familiar in the Japanese retailing culture.

The Japan Mail Order Association says it has hundreds of members with a total estimated turnover of Y2,600bn; so the US company, which was not the first foreign direct-sales company to arrive in Japan, is not short of competition. There is also little that is unique about Amway's range of toiletries and household goods, which are mostly imported from the US.

Amway relies on its network of 700,000 agents

What has clearly helped Amway to establish itself is its commitment to promoting its corporate culture. Though not novel in its approach, Amway has managed to strike a chord with the Japanese. Great emphasis is put on encouraging distributors to identify with the company – for example, by holding mass conventions for agents and their families, including one held in Disneyland last year and attended by 30,000 people.

Far from regarding this as American and alien, Amway's Japanese distributors have responded enthusiastically.

The whole structure is reinforced by paying the sales force better than do most competitors and rewarding them with lavish perks – 1,400 top agents have just come back from an all-expenses-paid trip to Singapore. Later this year, 50 or 60 elite sales people will go to Rome for an international Amway jamboree.

Amway's top 50 or so agents earned Y16m (£64,600) each last year. The next 4,800 netted Y2.57m. Payments are structured so that distributors are encouraged to recruit new agents into the organisation.

The top-earning distributors have 1,000 and more salesmen beneath them. At these levels, the pay is high enough to bring men as well as women into the distribution network, often working in husband-and-wife teams.

Hemmet says this is an important difference between Amway and its rivals.

The distributors are supported by a computerised order and delivery system manned by 450 salaried employees. Goods are despatched from Amway's three Japanese warehouses – one in Tokyo, one in Osaka and a third in Fukuoka, in southern Japan.

Orders are usually fulfilled in 24 hours. The deliveries are made by Japan's highly-efficient door-to-door trucking companies. Customers are given a money-back guarantee.

In the US, Amway, like other direct sales organisations, has been criticised for its selling tactics – agents are sometimes accused of exploiting family and friends.

Amway says most of this criticism is based on a misunderstanding of its methods. As far as Japan is concerned, there is very little hostile comment, because direct selling has long been a common practice.

Not only are toiletries and household goods sold in this way, but so are food, clothes, life insurance and stocks and shares.

When it started in Japan in 1979, it relied entirely on existing US agents, who were asked to spread the word among Japanese friends. It started slowly, with only nine products. Today it sells 150, of which 70-80 per cent are imported, mainly from the US.

Hemmet says the company is constantly being approached by foreign and Japanese manufacturers to add their products to its range. He is particularly proud of a hot-plate made by Sharp, the Japanese electricals group, which sells better in its Amway version than under its Sharp brand-name in Japanese stores.

Having enjoyed rapid early expansion, Amway has been hit by competition – including a succession of product launches by the leading Japanese household goods companies selling their goods through conventional retail outlets. Growth slowed last year – after a compound annual rate of profit expansion in the mid-1980s of 142 per cent – to just 2.5 per cent on a sales increase of 3 per cent.

But Amway has struck back. It has introduced new products of its own – including a range of specialist shampoos. It has also redesigned its packaging. Most important, having eschewed both product and recruitment advertising from the beginning, it started a corporate advertising campaign. It is promoting itself by sponsoring television programmes, a speed-skating championship and tours by two US orchestras. Sales growth has now recovered to an annual rate of 10 per cent. Hemmet says: "You can't sit still."

The American company's story does little to settle the argument about the alleged impenetrability of the Japanese distribution system – since the company circumvents it. But it does much to disprove the old canard that Japanese consumers are prejudiced against foreign goods. In this case, Japanese consumers seem more than happy to buy American products from an American company. The difficulty for most foreign companies in Japan lies in getting close enough to their customers to see this for themselves.

UK leisure markets

Everyone for tennis

David Churchill reports on the game's potential mass-market appeal

The prospects for a possible British champion at Wimbledon in the late 1990s will probably be partly determined not on the grass courts of the centre court but in the rather more prosaic surroundings of the Wembley conference and exhibition centre.

On display at the Recreation Management trade show today will be the latest all-weather facilities and equipment with which sports marketers plan to make tennis a bigger leisure activity over the next few years.

Tennis is perceived by consumers, according to research carried out by the Henley Centre for Forecasting, as a less aggressive racquet sport – especially in comparison with squash. "It is an ideal family game but one which fits in well at all levels of play and experience," says Mary Fitzhenry from the Sports Council.

Most important, tennis has the benefit of being an "aspirational" sport; it appeals to the mass market because it has up-market, or elitist, connotations. "The game is still considered to be a middle class sport," points out the Key Note market research company in a recent report. Nearly 60 per cent of existing tennis players, it adds, are in the ABC1 (professional and executive) socio-economic classes.

Yet in spite of the fact that the game was invented in Britain more than a century ago (by a Major Walter Wingfield), tennis as a participation sport has so far failed to capitalise on the huge worldwide growth in interest in tennis as a spectator sport.

The Government's General Household Survey, for example, shows that tennis ranks as one of the least popular participation sports; only 3 per cent of adults in 1987 (the last year for which figures are available) said that they regularly played, the same participation level as in 1977.

By contrast, the popularity of playing snooker, for example, had doubled over the same decade; four times as many adults play snooker as play tennis, the survey showed.

The problem stems from the fact that while there are numerous outdoor courts throughout the UK, the British climate prevents their being used for most of the year. Only one in every ten tennis players says that he or she plays during the winter months, and mostly on indoor courts.

Thus the key to the selling of the sport in the 1990s will depend on its success in making it easier for people to play all year round.

The UK lags badly behind most other European countries in the provision of indoor tennis facilities; there are just 400 indoor courts in the UK compared with more than 15 times that number in France. The Netherlands has over 1,200 indoor courts.

Most indoor courts in the UK, moreover, are for members only (such as the David Lloyd tennis centres) where membership fees are priced at a level reflecting the scarcity of facilities available.

This prompted the Sports Council, the Lawn Tennis Association and the All England Lawn Tennis Club to set up a five year programme – which started in 1987 – to invest some £7.5m in indoor courts. Local authorities which joined the scheme were expected to match the funding.

To date some 11 new indoor centres have been opened, adding a total of 39 all-weather courts, with a further eight centres under construction.

These centres operate under the premise of "pay and play"; no membership fees are required. "It makes tennis a lot more accessible to many people who might be put off by the cost of joining a club," says Fitzhenry.

According to the Sports Council, one result of the availability of more indoor courts is that about 15 per cent of players are first-timers. "It may not seem very much but these are people who otherwise would probably never have tried playing tennis," adds Fitzhenry.

But what is most important to sports marketers – such as Dunlop and Slazenger which dominate the market for tennis equipment – is the potential spin-off effect of more tennis players playing all year round.

At present, some £30m a year is spent on racquets and balls – less than a third of what is spent on golfing equipment. "There is an urgent need to raise participation levels in the game if the equipment market is to grow," points out Key Note. It sees further opportunities, moreover, for expanding equipment ranges; a designer range of coloured racquets with matching strings and balls is one suggestion.

The real threat to tennis becoming the growth sport of the 1990s, however, comes from the pressure on local authorities to curb spending, which might force them to stop developing indoor tennis centres. An alternative is for more private-sector developments; one such proposal is to turn sporting stadia into leisure and sports centres.

A company called Raylian design consultants is already in talks with Everton Football Club about such a scheme – common on the continent. "Too many stadia are simply white elephants," points out Simon Morris, a director of Raylian. "We plan to approach the Wimbledon authorities to discuss proposals to make use of its facilities all year round."

Winners and losers in the sports stakes

Badminton but not squash; walking instead of jogging and hockey rather than football. These are predicted to become the participative sports in the 1990s by the Henley Centre for Forecasting in its latest look at how consumers will spend their future leisure time.

Henley believes that several key factors will force sports marketers to re-think their marketing strategies if they are to capture a share of the £4.4bn it estimates will be spent this year on sporting goods, services, clothing and footwear.

Although Henley expects growth in these markets in the short-term to be slower than it had initially expected because of the present economic squeeze, it says that "concern with sports activities is sufficiently central to consumers' lives to make prospects favourable over the long term."

The crucial determinant of the sporting winners and losers of the 1990s is, suggests Henley, the continuing growth in affluence of the British consumer. It argues that increased standards of living over the past decade have "expanded the possible choice of pursuits and brought into consideration some of those activities which, historically, have been the preserve of the economic and social elites."

As affluence increases, sports such as golf, tennis, and boating will "continue to become more accessible and popular with the mass consumer sector."

In the medium term also, Henley sees skiing as continuing its "phenomenal" growth in popularity, although, in the longer term, worries over the environmental and economic impact on some ski resorts could blunt its growth potential.

The changing demographics of the UK population in the 1990s – fewer teenagers but more "baby boomers" in the 25-to-34 age group as well as increasingly affluent over-50s – will clearly make its impact felt.

Fewer young people will opt for sports such as table tennis, football, basketball and rugby – while more of the elderly consumers will continue to favour less strenuous sports such as bowls, hiking and rambling.

Henley says its surveys show a trend towards greater family orientation in the 1990s; hence sports such as swimming which allow whole family participation will continue to grow. "Equally, sports such as badminton (rather than squash) which can be played as mixed sports and which have a strong social element will also prosper."

Henley also perceives a shift in society's values, partly as a result of changing demographics and family orientation, but also as a reaction to the competitive and materialistic ambitions of the past decade.

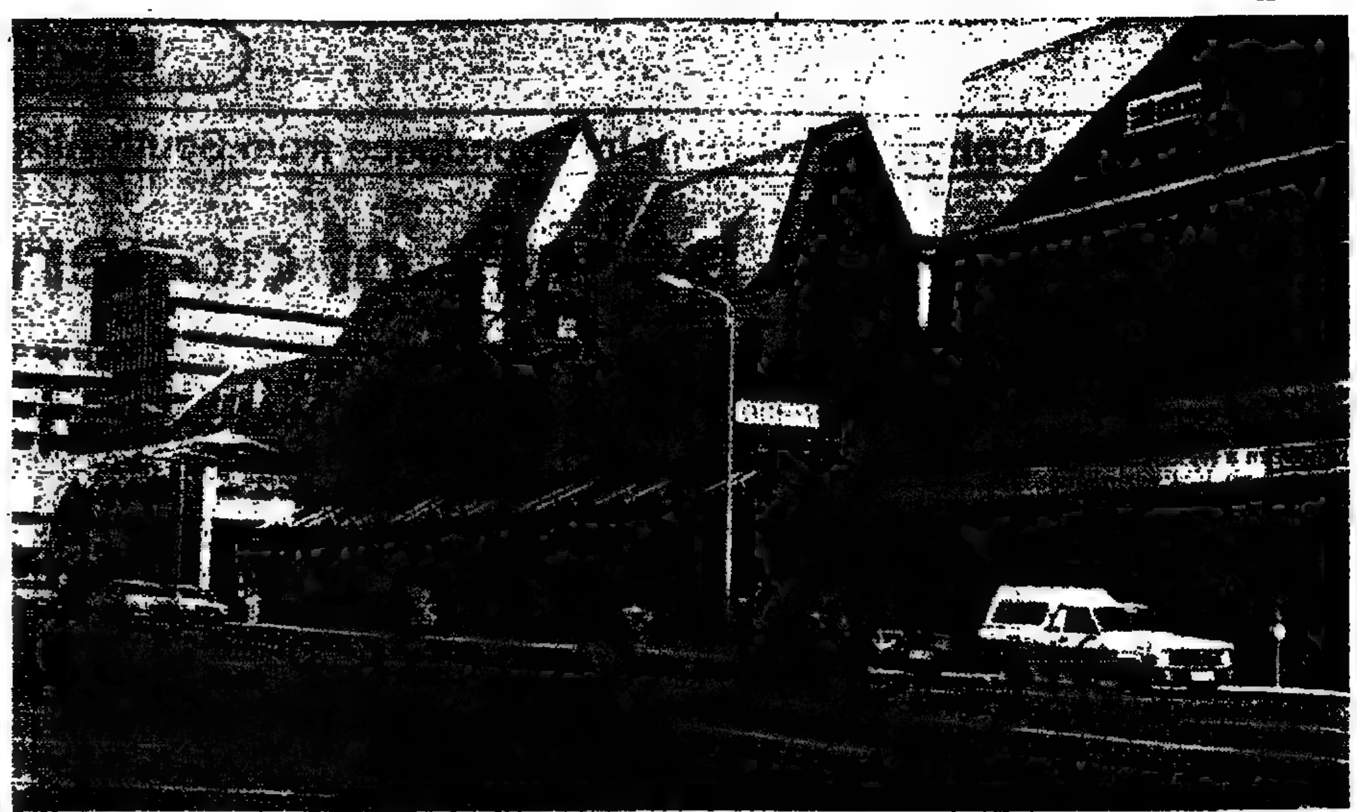
"Sport will be more about playing for enjoyment, for socialising and for fitness rather than for winning," it says. Losers, therefore, will be squash and martial arts sports while winners, suggests Henley, will include golf, tennis, and badminton.

According to Henley, there will be greater awareness by consumers about the relative health aspects of various sports. "Jogging, with the skeletal stresses it can produce, and squash, will continue to decline in popularity, while swimming and the less manic types of aerobics which are now available will continue to prosper."

Leisure Futures, Henley Centre for Forecasting, 2 Tudor Street, London EC4. £225.

FINANCIAL TIMES SURVEY

After nearly three decades of a bush war, Africa's last colony has achieved its independence. However, for the foreseeable future the Swapo government must accept an on-going economic relationship with its former enemy, South Africa, says Nicholas Woodsworth



Contrasting images: a scene (left) at Etosha Pan and (right) buildings reminiscent of the German colonial period in Windhoek

NAMIBIA

Trial run for regional peace

AT THE stroke of midnight on the evening of Tuesday,March 20, Namibia became an independent nation. More than 500 years after European sailors first planted crosses on Namibia's desert coast, the birth of this southern African country brings the colonial history of black Africa to a close.

While in many countries on the continent rule against the will of the majority continues, rule by foreign colonial power has ceased. Less than a century ago a single empire stretching from the Cape to Cairo was still believed possible; today the South African relinquishment of Namibia has made all of black Africa independent.

The process leading to Namibia's birth has been one of the most complex and protracted in recent history. It involved a legal wrangle between the United Nations and South Africa that spanned nearly five decades and resulted in the passage of more than 20 UN resolutions.

It provoked the creation of an armed Marxist revolutionary organisation, a South African war against Angola, and the death, displacement and suffering of thousands of ordinary Namibians. Super-power rapprochement and an extended exercise in international diplomacy were required for its successful conclusion.

When a defeated Germany handed over its 36-year-old colony to South African administration under a League of Nations mandate in 1920, no one could have predicted the complex twist of events that followed on South Africa's later refusal to give it up. Independence has now given Namibia greater control over its affairs, but its political make-up and economic fragility make the future uncertain.

Namibia in the last year has gone through an extraordinary period of transition. It comes after a decade of South African diplomatic intransigence and efforts to dictate an internal political settlement in Namibia.

Such a settlement proved impossible; armed conflict with Swapo, the South West Africa People's Organisation, brought the involvement of Angolan and Cuban troops and made South Africa's bush war costly and unwinnable.

Three elements have made the transition to independence possible: South Africa's realisation that it could withdraw politically from Namibia without damaging its economic and security interests in the region; the Soviet Union's decision to curtail diplomatic and military support for revolutionary movements in Southern Africa; and United States diplomatic initiatives that allowed the signing of peace accords between South Africa, Cuba and Angola in late 1988.

All three elements paved the way for the implementation of Resolution 435, the United Nations document on which Namibian independence has been based for more than 10 years.

Given the hostility built up over that period between radical Swapo supporters and the politicians, civil servants and soldiers of a South African-backed administration, the spirit of national reconciliation and optimism that now prevails is remarkable. Since April last year, when Swapo exiles returned to Namibia and the UN initiated the most expensive and heavily-manned peace-keeping programme in its history, much has been accomplished.

Elections to a constituent assembly last November gave Swapo the majority it needed to form a government at independence. Its failure to win two thirds of the votes, however, meant that it could not write a constitution without the participation of Namibia's more moderate opposition parties.

The resulting document provides the checks and balances of Western-style government. The UN's insistence on provisions for democratic behaviour are backed by a clear message from the international donor community: aid support for Namibia will depend on political performance.

But, as has been seen in many parts of the continent, constitutional guarantees are of little value if governments do not have the capacity to meet their population's economic expectations. Time and again, popular frustration with government's failure to provide economic opportunity has led to the state's disregard of constitutional law.

While most observers believe there is sufficient pressure on Swapo to keep it in a democratic path in the near future, few believe the present mood of euphoria will last for very long.

Swapo in the past has been characterised as an authoritarian Marxist party favouring one-party rule and the public ownership of Namibia's resources. Much of the ideology has disappeared. With communism's débâcle in eastern Europe, a significant domestic political opposition, and the threat of Western aid withdrawal, Swapo has had little option but to moderate its policies.

Under the leadership of President Sam Nujoma, the Swapo government today has discounted wholesale nationalisation and sweeping measures of land redistribution; it favours instead a "mixed" economy of public and private sector development, and encourages local and foreign private investment.

None the less, Swapo's promises of better lives for Namibia's 1.4m inhabitants have raised high expectations of rapid development and prosperity. At the same time, the economy that Swapo inherits from South Africa makes the keeping of those promises extremely difficult.

Namibia's natural resources are considerable. While most of the country is semi-desert and offers little potential for crop production, the raising of cattle and sheep have made exploitation of the land lucrative. Namibia's coastline has also offered great opportunity; its fishing grounds have been among the richest in the world. Namibia's greatest wealth, however, lies beneath the ground. Deposits of diamonds, uranium and base metals make Namibia the fifth largest mineral producer on the continent.

All of these sectors, however, in addition to having little further capacity for expansion, are dominated by South African interests. Mining, which accounts for 28 per cent of GDP and 65 per cent of exports, is controlled by three foreign companies, two of them South African.

They account for a net outflow of capital from Namibia, much of it to Johannesburg financial markets, in the form of profits and dividends. Export and import levels to and from South Africa are extremely high, while there is little value added in Namibia.

Although the country recorded a gross national product of $1.42bn in 1987, giving it the third highest per capita income in Africa, its extractive and unbalanced economy make it highly dependent on South Africa. This has been accentuated by high administrative and infrastructural costs that required heavy South African subsidisation of the Namibian budget.

Heavily dependent and now committed to a new political and economic moderation, the new Swapo government has little choice but to accept an ongoing relationship with South Africa. Namibia will gain formal membership to the South African Customs Union, giving it preferential trade agreements, and for two years at least remain inside the rand monetary system.

But President Nujoma's government has made two initial policy decisions, neither of which are dictated by South African considerations, which could threaten rational and sustained economic development.

Both are based on the political consideration of rapid job creation; with a population that has high expectations but is 30 per cent unemployed, this is considered Namibia's most urgent problem.

The first decision is to promote rapid development in agriculture and rural development – the highest growth-potential sector – through grant-aid, soft loans, and commercial financing. In addition to requesting funds to balance the first year's budget, Finance Minister Otto Herrigel is seeking R500m annually for five years for development projects. Growth through private investment would be a slower process, but it would also avoid the well-known dangers of African aid dependency and mounting debt. Mr Herrigel, however, has not placed a high priority on investment.

The second decision is to concentrate efforts in economic development on capital-intensive, high-technology projects – dams, canals and downstream development costing up to R26,000 per hectare. The experience of other African countries has shown that such projects are rarely efficient or cost-effective.

Namibia will very likely receive the finance it is looking for. Its independence carries implications for the future stability of the entire region. If Namibia appears to be succeeding politically and economically, it will be seen as a vindication of the National South African government's policy of seeking a negotiated settlement with the African National Congress. The UN and the Western powers also have a vested interest in Namibia; much time, money and effort have gone into efforts to solve the region's problems.

In this sense, Namibia is both a trial run and prerequisite for a larger and more crucial experiment in the future. But if Namibia is to succeed in its own right, it must recognise the limitations of its economy and adopt development policies it is capable of financing. Failure to do so could result not only in unsustainable development, but the political excesses that such development brings.

IN THIS SURVEY

After the euphoria of winning independence from South Africa, it's . . .

Down to the basics of government

AFTER DECADES of black nationalist frustration and South African intransigence, Namibia has gone through a series of rapid political changes. In a regional context, they are no less surprising than those taking place in eastern Europe.

Little more than a year ago, the South West Africa People's Organisation (Swapo) was a revolutionary movement, equipped with an exiled Marxist leadership and a ragged guerrilla army. After nearly a quarter of a century of armed conflict, it seemed little closer to achieving its objective, Namibian independence from South African rule. Today, Swapo is a legitimately elected political party, committed through a western-style constitution to civil liberty and democratic government.

The rhetoric of left-wing ideology has been replaced by calls for domestic political reconciliation, foreign private investment, and the fostering of new ties with South Africa.

Many of these changes are due not so much to initiatives by Swapo as to those taken by external forces. Much impetus for Namibian independence came through the efforts of the United Nations, the western powers and the Soviet Union, to establish regional stability through diplomacy.

Much resistance to independence disappeared when South Africa came to the belief that it could extricate itself from its costly war with Swapo without damaging its security or economic prospects in the region.

But these factors have been accompanied by a rapid evolution in the political thinking of Swapo itself. Since their return to Namibia last April, in the first step of a UN-supervised transition to independence, Swapo leaders have had little choice but to adopt a more moderate stance.

Internationally, the failure of socialism in eastern Europe, cuts in eastern bloc aid, and Soviet diplomatic efforts to bring stability to southern Africa have forced Swapo to look to the West. In doing so, it is confronted by strong pressures. International aid organisations, financial institutions, and bilateral donors have made it clear that vital future aid-flows depend on democratic rule.

President Sam Nujoma: his powers of political reconciliation are respected

Equally important is the presence of a relatively strong and sophisticated domestic political opposition. In last November's UN-supervised constituent assembly elections, Swapo failed in a contest with nine other parties to achieve the two-thirds majority it required to draft a Namibian constitution unilaterally.

Contributing to a lower-than-expected vote for the party — recognised by the UN since 1973 as the "sole authentic representative" of the Namibian people — were three factors:

■ The revelation last year of the detention and torture of Swapo dissidents;

■ The superior campaign performance of the main opposition party, the Democratic Turnhalle Alliance (DTA); and

■ Swapo's failure to achieve majorities in many areas outside its Ovamboland power-base in northern Namibia.

With 57 per cent of the popular vote and 41 seats in a 72-seat Assembly, Swapo was forced to sit down with other parties to write the constitution. Inclusion of principles insisted on by the UN — among them a separation of powers, a bill of rights, an independent judiciary, and presidential elections — resulted in what has been commonly cited as the best constitution in Africa.

But Africa's record of constitutional disregard is second to none. In the words of one observer, Namibia's constitution may be "too good". Like the present euphoric atmosphere of reconciliation among Namibia's many economic, political and cultural interest groups, the framework of the constitution fits poorly over Namibian reality.

Over the years and in its campaign manifesto, Swapo has made many promises and aroused high expectations. Social security, education, health and housing are all expected as the fruits of independence.

Unemployment is Namibia's greatest development problem, and, despite government programmes to create jobs, it will become a bigger one in the future.

Even with expected aid-flows, Swapo's economic capacity to effect the kinds of change required will be limited. Simply balancing the current accounts budget, much less finding funds for development, is expected to be a major problem.

If expectations are not quickly brought under control, expensive programmes and ensuing economic difficulties may tempt the Government to alter or disregard constitutional law. The best guarantee against this happening, many observers believe, would be the institution of modest, long-term development programmes.

Short of this, the best watchdog of democratic behaviour will be an active political opposition. This role will be reinforced with the planned establishment of politically contested regional councils. From these councils, representatives will be elected to a second house, the National Council, with the power to amend National Assembly legislation.

The DTA, with 21 seats, is Swapo's biggest threat among six opposition parties. A largely black alliance of parties, which participated for a decade in a South African-supported "interim" government, it supports a free market and private-sector enterprise. Led by business interests, it receives strong popular support from the Herero and Nama of the east and south.

"Swapo's programmes are too ambitious," says the DTA's acting president, Mr Mishek Muyongo. "It won't face the reality that we are a poor country. We need cautious, viable projects, not high-cost, large-scale development programmes."

Mr Muyongo believes DTA's main role in the Assembly will be to provide a focus for a united opposition, and to act as a critic of government financial policy.

While there are many divisions among opposition parties, there are also differences of opinion in the upper echelons of Swapo. For the moment, a moderate group of technocrats holds sway under President Sam Nujoma, a leader whose powers of political reconciliation are respected, but whose capacities for economic decision-making remain to be proved.

But there is also a group of hardliners which could, if economic problems became unmanageable, come to the fore. Much depends on the initial policy choices made by Swapo.

Nicholas Woodsworth

Nicholas Woodsworth on foreign relations

Neighbourliness is crucial to success

FOR Foreign Affairs Minister Theo-Ben Gurirab, Namibia is one of the most internationally-oriented countries on the continent.

This is only natural, he says: an independent Namibia is the result of international diplomacy and regional rapprochement. Cuba, the United States, the Soviet Union, South Africa and Angola all had a hand in the peace settlement allowing for the implementation of UN Resolution 435, the document on which Namibian independence is based.

"The 435 process has opened an opportunity for Namibia and South Africa to talk to each other," says Mr Gurirab, referring to what will be Namibia's most crucial international relationship in the future.

"Since last November Pik Botha (South Africa's Foreign Minister) has been here numerous times for discussions with Swapo leaders. We have been able to look to co-operation in the future. We expect to be good neighbours."

Coming from an organisation which as recently as last April was fighting and losing to South African-led troops, such warm sentiments may seem surprising. But today Namibia's Swapo government sees its own interest in developing stable ties with its regionally-dominant neighbour.

Namibia's independence is political; for a long time to come, however, it will remain tied to South African trade, transportation networks, private investment, technology and Johannesburg financial markets. Taking maximum advantage from all these economic ties, while at the same time retaining the freedom to make political choices, will be Namibia's principle foreign relations task.

In addition to the unsettled question of a R700m debt, there is one immediate obstacle standing in the way of better relations with South Africa. This is the issue of Walvis Bay. Treated as an integral part of South Africa since 1920, it is Namibia's only deep-sea port and vital for any future trade outside the region. It also contains most of the area's onshore fishing facilities and processing plants. Although until recently South Africa maintained that Walvis Bay was non-negotiable, it has now confirmed that it is ready to seek a settlement. Most observers believe that the territory will soon be in Namibian hands.

Theo-Ben Gurirab

For a long time Namibia will remain tied to South Africa

Independence from South Africa relieves Namibia of the constraint of international sanctions, and opens new windows on foreign economic relations. While eastern European nations have significantly reduced aid flows to Namibia (and, in addition, dropped political support for Marxist-style development), the Swapo government will be seeking new trade, aid and investment relationships with the West.

Particularly singled out for bilateral trade and investment are West Germany, with its historical and cultural ties, and Japan, which has expressed interest in private sector fishing and mining. West Germany is also, with the Nordic countries, expected to be Namibia's biggest aid donor.

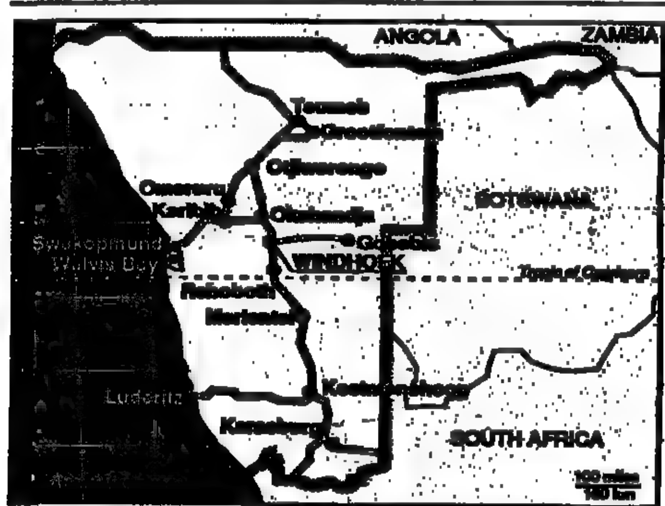
Namibia hopes that multilateral relations will include an agreement with the European Community under Lomé conventions for preferential import tariffs on Namibian beef and mutton. Negotiations for an export quota will be taking place shortly. Other multilateral relations that will be sought include membership of the World Bank and the IMF.

Regionally, Namibia will join the Organisation of African Unity, and become the tenth member of SADCC, a front-line state organisation committed to reducing economic dependence on South Africa. A stronger relationship with the front-line states could help Namibia avoid being dragged into Angola's war should it spill over their common boundary.

Namibia's role in a regional search for stability has been central in the past. This role will change with independence but remain critical. What happens in Namibia will now be keenly watched by both the white leadership and the population of South Africa.

If, after years of white administration, black majority rule is seen to be successful, the De Klerk government will have a stronger mandate to proceed with its policy of negotiated settlement with the African National Congress and other black nationalist groups in South Africa. A conservative white backlash will be the price for failure.

South Africa thus has every interest in seeing that Namibia as an independent nation remains stable, democratic, and economically viable.



KEY FACTS

Area (sq km)	824,292
Population	1.4m
Real GDP* ($m)	1,004 *(975)*
Real GDP growth (%)	3.0 *(2.3)*
Consumer price inflation	13.6% *(12.9)*
Merchandise exports ($m)	920 *(940)*
Merchandise imports ($m)	830 *(861)*
Exchange rate rand/$	2.62 *(2.26)*
Currency	100 cents = 1 Rand
Principal exports in 1988 ($m)	
Uranium and other minerals	393
Diamonds	289
Cattle	65

*Figures are for 1989 (1988 figures in italics)

Walvis Bay: this well-developed deep-water port is a crucial factor in Namibia's future

Mike Hall discusses external trade

Exports vulnerable

AS A South African colony for 75 years it is no surprise that trade strongly ties Namibia to its southern neighbour. Although the overall trade balance is healthy and independence offers new opportunities, prospects for reducing dependence on South Africa and other traditional markets and commodities are poor.

Namibia's trade statistics are rudimentary: it was not treated as a separate entity until recently. The government is keen to address this and has begun setting up a customs and excise department, not to restrict the flow of goods (which would breach South Africa customs union rules), but to collect reliable statistics.

Namibia's economy is heavily dependent on a few primary commodity exports — diamonds, uranium and other minerals and livestock — and thus vulnerable to external fluctuations. It also depends on South Africa for about 75 per cent of all imports. Goods passing though the republic raise the figure to 94 per cent.

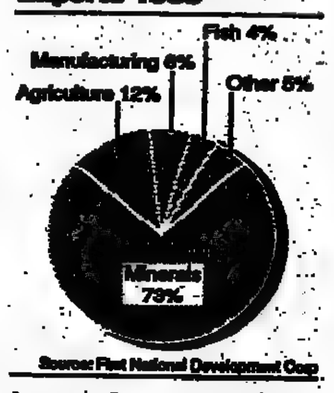
Mining accounts for just under 65 per cent of the value of all exports. Markets for the two major commodities are as diversified as they are ever likely to be: diamond sales are controlled by De Beers and are prone to demand fluctuations, uranium — most of which goes to Japan, France and West Germany — faces global over-supply and competition from other energy sources.

Beef and mutton is exported to South Africa — much of the cattle goes out on the hoof — where distance and price are advantageous. Karakul (Persian lamb) pelts are auctioned in Frankfurt mainly for the European and increasingly the North American market. Prices depend on fashion trends.

Despite external vulnerability, the merchandise trade surplus for last year is expected to show an improvement on the 1988 figure of R180m (80m). When Namibia's own currency and central bank are in place, this could translate into the build up of healthy foreign exchange reserves, assuming prudent fiscal management.

Independence brings the opportunity of Lomé Convention membership, an agreement that gives African, Caribbean and Pacific countries preferential access to the EC through a quota system and import levy rebates.

Exports 1988



Source: First National Development Corp

The government will push for a sizeable beef quota, perhaps 20,000 tonnes (about 15 per cent of output). Negotiations will be tough, and some observers believe the EC will tie talks to a favourable agreement on fishing rights for European fleets.

Namibia could well end up with half the quota it wants. Even so the industry believes it will be an important "foot in the door" and there is the possibility of a tie-up with Botswana to market beef. Sheepmeat is another possible EC export but the industry says it is not pursuing a quota.

Namibia is expected to become the fifth member of the South African Customs Union (SACU) which includes South Africa, Botswana, Swaziland and Lesotho. Until now it has been a de facto member and in 1979 was arbitrarily allocated a 12 per cent share of customs receipts.

Membership terms are under negotiation. Mr Otto Herrigal, the Finance Minister, says he believes Namibia is being short-changed. Receipts last year amounted to nearly R400m. He says this should be almost doubled in the next few years. The basis for such a claim is unclear, and the issue is potentially troublesome.

Namibia will also become the tenth member of the Southern African Development and Co-ordination Conference (SADCC), set up in 1981 to reduce member states' dependence on South Africa. In theory this will open up new trade options, especially if manufacturing grows with the possible relocation of South Africa-based firms looking for "sanctions busting" opportunities. But this is unlikely given the present climate of political change in South Africa.

Intra-regional SADCC trade is in any case small and dominated by Zimbabwe. Developing trade with southern and central Africa will also involve investment in transport routes (such as roads to neighbouring Angola and Botswana).

A key issue will be the future of Walvis Bay, a well-developed deep water port half way up the coast. Both South Africa and Namibia claim sovereignty. Most observers believe, however, that South Africa will not hinder the movement of goods and seems likely to agree eventually to hand over the territory.

Namibia's trading pattern is unlikely to change significantly over the next few years. Much depends on political relations with South Africa, and if Walvis Bay becomes Namibian it will substantially help to reduce dependence. But other countries in the region have found it difficult; Namibia will find it especially so.

A difficult path to economic independence

Fragile financially

TO THE world at large, Namibia is known for two things: its protracted struggle to gain political independence from South Africa, and its status as one of the wealthiest and resource-rich countries on the continent.

In the face of many problems, the political struggle has now been won. The economic challenge to manage successfully Namibia's resources remains, and may prove as difficult as independence itself.

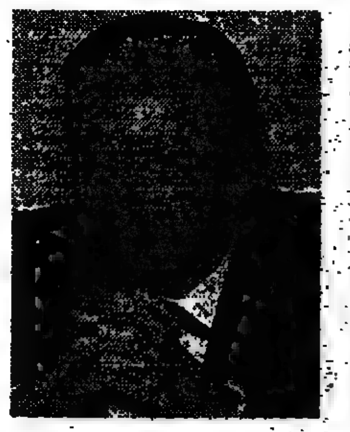
In one sense, Namibia's reputation as a wealthy country is deserved. Diamonds, uranium, copper and other base metals have made it the fifth largest mineral producer in Africa.

Its fishing grounds have been among the richest in the world. Despite a semi-desert climate that has discouraged extensive agriculture, livestock and a tourist industry have made its land useful.

These activities contributed to a gross national product of $1.42bn in 1987, giving Namibia's 1.4m population a per capita income of $1,062 – the third highest in Africa and more than three times the continental average. But if the economy is one of the wealthiest in Africa its colonial history has also made it one of the most extractive, unbalanced, and poorly integrated.

Namibia's economic inclusion into South Africa as a virtual fifth province has resulted in a net outflow of capital, mainly in the form of corporate profits and dividends from the mining sector – more than 60 per cent of a GDP of R2.8bn was exported from the country in 1987. The manufacturing sector is marginal. Namibia exports about 90 per cent of the primary goods produced in the country, and imports 85 per cent of the items consumed.

Mining accounts for 28 per cent of GDP but employs 5 per cent of the work force; agriculture employs more than half the work force but accounts for only 2 per cent of GDP. Per capita distribution of income is also highly skewed: Namibia's 80,000 whites on average earn 20 times more than blacks.



Otto Herrigel

These inequalities are accompanied by fiscal imbalances. In order to legitimise its rule in Namibia and promote internal political settlement, the South African administration in 1979 initiated large-scale programmes of infrastructural and social service development requiring a doubling of Namibia's administrative costs and heavy aid subsidies to Namibia's budget.

Over the past decade, South African aid contributed more than 20 per cent annually to government expenditure, and is a big factor in the country's GDP growth rate, an average 2.7 per cent in the past three years. At the same time investment in productive capacity has dropped significantly. Between 1980 and 1988 fixed investment at constant prices fell in mining from R112m to R58m; in agriculture and fishing from R22m to R15m; in manufacturing from R15m to R3m. Total fixed investment in 1980 was two times government consumption expenditure; today it is only half. In 1980 tax revenue exceeded government consumptive expenditure; today the reverse is true.

In short, Namibia has for the past decade been living beyond its means. The country's new Swapo government is thus inheriting a fragile, dependent economy and over-extended public sector financing. In its own interests, Namibia has decided to stay within the South African Customs Union – from which it now expects to receive a greater share of customs receipts – and will continue to operate in the Rand Common Monetary Area and South African Reserve Bank system for at least two years.

But given the path of economic development Namibia now proposes, its future remains precarious.

Although the government has announced its intentions to develop a "mixed" economy based on both the private and public sectors, Finance Minister Otto Herrigel does not believe that local or foreign private investment is a keystone to development.

"As much as we encourage investment, it has limited applicability," he says. While Mr Herrigel promises an investment code that will create a favourable climate, he believes too many African countries offer incentive packages while there is nothing to invest in. The investment possibilities he sees in fishing, mining and light manufacturing, he says, "will follow development, not instigate it."

Instead, Mr Herrigel places greater emphasis on a problem that is political as well as economic: job creation. Namibia's unemployment rate now exceeds 30 per cent and there are few job opportunities in Namibia's over-crowded communal northern farming areas. At the same time, however, Swapo's promises of higher living standards and greater economic opportunities have raised high expectations among the population. The Finance Minister believes job creation through agricultural development must be the country's top priority.

Such development, indicates Mr Herrigel, will be achieved through large-scale, high-technology, capital-intensive projects for the building of dams and downstream canal systems on Namibia's northern rivers. The projects will be accompanied by rural development schemes for the provision of roads, water, electricity, schools and health installations. "This is our only true solution to problems of unemployment and lack of development," he says.

In view of its difficulties in raising capital for future development as well as funding the current account deficit, the government sees no other choice but to seek heavy financing from the international donor community.

"We have been under South African influence for a long time and inherited their infrastructural problems," says Mr Herrigel. "We are justified in looking to the world for five years in helping us in a development thrust to establish an economic basis for independent Namibia. We have to create something new as soon as possible; we will be able to do so if we have the necessary aid."

The Finance Minister is seeking R500m in grant aid in the first year of his administration to balance the budget. He is also seeking the same amount annually for the next five years for development projects in agriculture, education, health and housing. Nor is commercial debt excluded in development plans: this, he says, will not be allowed to exceed 200 per cent of annual government revenue.

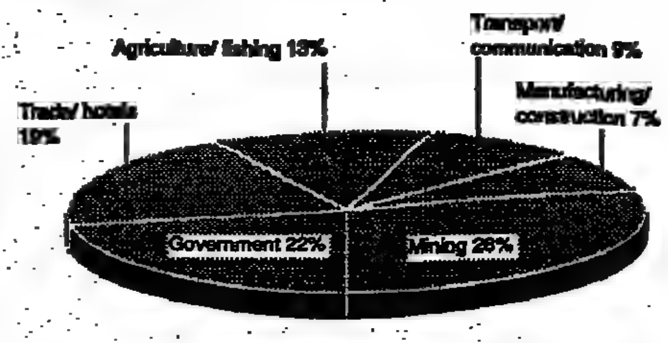
While polices for job creation and infrastructural development are essential, the risks accompanying both heavy aid dependency and large-scale, state-run agricultural projects have become increasingly obvious in Africa.

More often than not, what is seen as a bread-basket turns out to be a begging bowl. And encouragement for such programmes has not in the past come solely from anxious and financially-strapped socialist governments: international and bilateral development agencies, with budgets to spend and tied aid contracts to secure, have often been delinquent development partners.

Some economic analysts in Namibia argue for a more cautious and cost-effective long-term approach to development and employment: small-scale, technologically appropriate projects directly involving subsistance populations. If, in planning policy, political considerations outweigh economic rationality, Namibia may be headed down the rocky development road so well known to the rest of Africa.

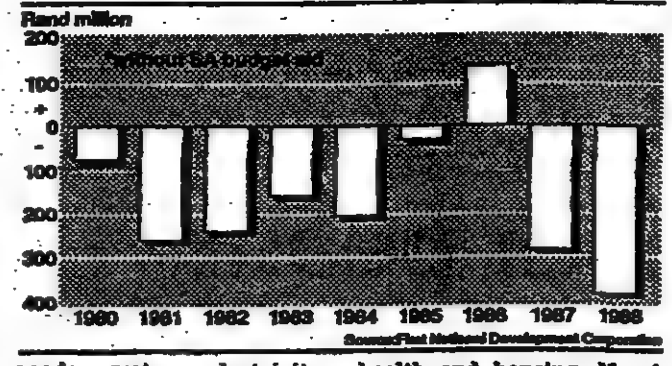
Nicholas Woodsworth

GDP 1988



Source: First National Development Corporation

Current account balance*



Source: First National Development Corporation

Foreign fleets have decimated fish stocks

Sea protection policy

THE Benguela current in the Atlantic Ocean flows towards the equator along the south-west coast of Africa causing an upwelling of nutrients that makes the sea off the coast of Namibia among the world's most fertile fishing grounds.

Most sought after are the pilchard and anchovy in shallow water, and hake and horse mackerel offshore. But a history of considerable over-fishing by South African and other foreign fishing fleets has decimated stocks.

According to the UN, the 1968 pilchard catch, the most valuable, was 1.4m tonnes; it now averages 90,000 tonnes. Until 1977, Namibia was the world's leading supplier of pilchards and some 80 per cent of South Africa's total fish landings were from Namibian waters.

Anchovy harvesting has fluctuated from a peak of 376,000 tonnes in 1978 to just 14,000 tonnes in 1984.

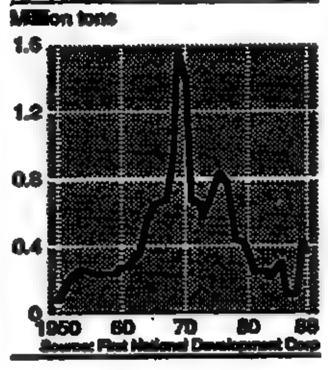
Offshore, hake catches by mainly Spanish and other West European trawlers and factory ships has shown similar decline and the average is now about half the 1972 peak of 800,000 tonnes.

Horse mackerel, favoured by East European fleets, is the only species to have increased in number.

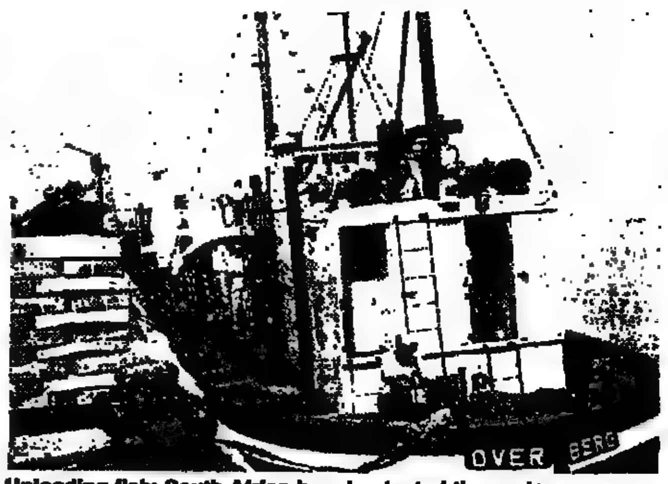
Recent annual catches are about 4-500,000 tonnes up from about 100,000 tonnes before 1970. Experts say it has filled the ecological niche left by the considerable decline of other fish.

The legacy is fishing's small contribution to independent Namibia's economy. It remains an "enclave" focused on Walvis Bay and Luderitz.

Pelagic fish catches



Source: First National Development Corp



Unloading fish: South Africa has dominated the sector

Walvis Bay had nine processing factories some of which have been closed down. Only one is Namibian-owned.

"The fishery sector," says a recent UN report, "... has been dominated and controlled by South African companies, has imported practically all of its inputs and exported practically all outputs.

It has employed contract workers at wage rates that have remained low even by local standards, taxes are low and profits have been transferred to the South African owners. Very little has been invested in Namibia."

Foreign offshore fleets have contributed even less. The present landed value of their catches is around $200m. a year, a figure that could increase substantially with processing. "This income does not even touch Namibia," the UN report says.

One of the first laws the new government intends to put before the assembly is a bill proclaiming a 200-mile Exclusive Economic Zone (EEZ) for Namibia under the Law of the Sea Convention.

In the absence of internationally recognised controls South Africa regulated inshore fishing and catches offshore were regulated by the Madrid-based International Commission for South East Atlantic Fisheries (ICSEAF).

President Nujoma has appealed to ICSEAF to urge its members to halt all fishing in the 200-mile zone for the time being.

Proclaiming an EEZ will be a relatively simple step. Less straight forward will be the development of a coherent management and development plan to ensure stocks are built up and exploited on a sustainable basis with the maximum benefits accruing to Namibia. A first step has been the deployment of a Norwegian scientific research vessel for an independent assessment of present stocks.

The government sees the resource as one of Namibia's most important assets. Mr Gert Hanekom, the Agriculture Minister whose portfolio includes fisheries, estimates that with an effective management programme over five-seven years marine resources could earn Namibia some R3bn – 10 times cattle industry earnings. "It may even surpass mining in importance."

The government, he says, has formulated a fishing policy. But details are unlikely to be made public before complex bilateral negotiations begin with foreign fleets on quotas and royalty payments. But experts say the government plans a state-run fishing corporation and believes private investment may be inappropriate.

As in other sectors of the economy, fisheries pose a big challenge to the Namibian government. It must police the 200-mile zone and negotiate complex agreements with powerful foreign interests (above all the future of Walvis Bay) and ensure that Namibia and its people benefit from sensible investments.

Mike Hall

Nicholas Woodsworth assesses a mineral treasurehouse

Riches in the desert sands

IN 1883, Adolph Luderitz, a young Bremen merchant with a taste for adventure, bought a land from a Nama chief. It extended more than 300km up the coast from the mouth of the Orange River and, like all of Namibia's coastline, was a barren and windswept desert of no apparent value.

But Luderitz was not interested in what lay above the ground. For him, the unclaimed territory that was shortly afterwards to become German South West Africa existed for one reason only.

"It would be lovely if the whole land were to be a single ore bed," he wrote.

The country did not become one vast pit, and Luderitz did not even find the diamond wealth hidden in the sand. The rights were sold, and the desolate coastal strip eventually formed the beginnings of the Oppenheimer mining empire.

But in one sense Luderitz was right. Mineral wealth became the chief reason for colonial interest, and its exploitation the basis for development. If independence was disputed by South Africa for almost half a century, it was due in large part to the desire of South African mining interests to retain control of a valuable resource.

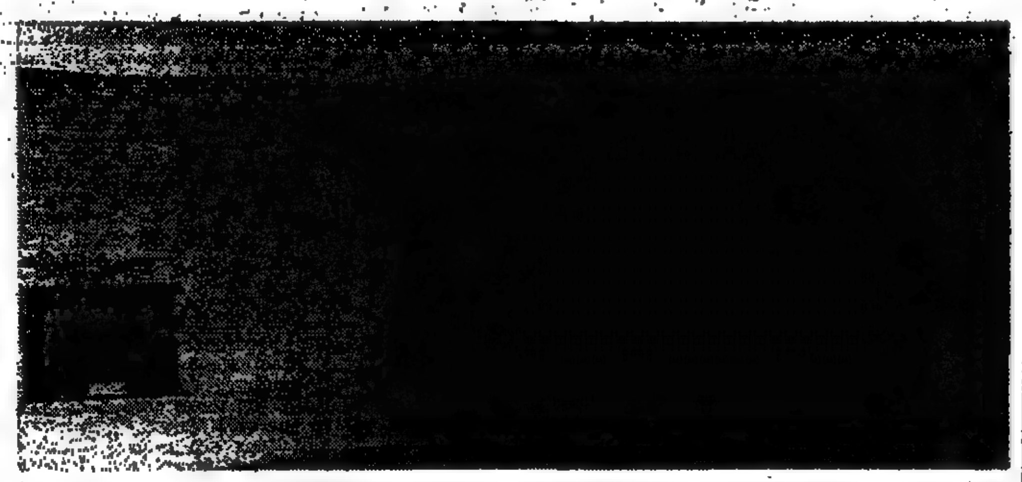
Today, mining provides 65 per cent of the value of Namibian exports, represents 28 per cent of gross domestic product, is the largest source of corporate tax revenue and the country's biggest private-sector employer.

The sector, whose export sales totalled R1.5bn in 1988, is dominated by three multi-national mining giants. Exclusive rights to diamond mining – an industry responsible for 30 per cent of Namibia's total exports – are held by Consolidated Diamond Mining (CDM), a subsidiary wholly owned by De Beers of South Africa.

The majority shareholder in the Rossing Corporation, the country's sole miner of uranium and a company claiming 23.5 per cent of total exports, is the British-based multi-national RTZ. Major shareholders include Rio Algom of Canada, Total of France, Germany's Urangesellschaft, and South Africa's IDC. Among Rossing's customers are Japan, France, and West Germany.

Copper mining, with just over 10 per cent of total exports, is undertaken by the Tsumeb Corporation Ltd (TCL), a company operating in Namibia since the turn of the century. TCL is now 80 per cent owned by Goldfields of South Africa, through Goldfields Namibia, a subsidiary created in 1988.

The relationship between black nationalist Namibians and the multi-national mining companies has, in the past, not been a happy one. As a revolutionary socialist movement, Swapo was bitterly opposed to the exclusive foreign ownership of Namibian mineral resources and what it saw as irresponsible mining policy. Its manifesto for last November's election called for a share of control in the industry, mandatory re-investment of mining profits in the national economy, the curbing of transfer pricing, and the imposition of higher taxes.



Uranium mine: the Rossing Corporation's reserves are expected to last until 2012

Since becoming a government-in-waiting last November, Swapo has greatly moderated its tone, and the mood has been one of wait-and-see on both sides. The new government, for its part, will be conducting a study on the entire structure and operation of the mining sector. On the other side, mining executives have expressed relief and optimism over the generally pragmatic attitude to economic matters shown by Swapo now that they have come to power.

Much, however, remains to be worked out, and industry officials are unsure of government intentions. "The feeling we have received through informal talks with the incoming government," says Clive Cowley, public relations manager at CDM, "is that it is interested in acquiring equity and becoming a partner. What is not clear is how much equity it wants, nor whether its main interest lies in acquiring a say in running companies or in greater government revenues."

While industry officials say they welcome a closer relationship with the Government, the question of increased taxation arouses anxiety in all three mining companies. Dr Z.J. Ngavirue, who this month resigned his post as chairman of Rossing to head the National Planning Commission, advises against increased taxation for Rossing, which, like TCL, pays between 50 and 60 per cent tax on profit.

CDM's taxes are higher – up to 75 per cent on profit. "It is practically and morally impossible for boards of directors to neglect the interests of their shareholders," said De Beers' Mr Harry Oppenheimer, publicly appealing to government this month in Windhoek. Mr Oppenheimer called for taxation at a "reasonable level allowing a fair return on capital", for freely remittable profits, and for the creation of a secure investment environment.

Even if, as seems likely, a satisfactory working relationship with the Government is established, the sector today offers little potential for growth or large new investment. While CDM is now prospecting for off-shore diamond deposits, recovery rates for traditional on-shore operations have sunk from a high of 45 carats per 100 tonnes to 5.8 carats; land mining is not expected to last past the turn of the century.

Although Rossing uranium reserves are expected to last until 2012, international stockpiling and record-low world market prices have resulted in Rossing mining at about two thirds of its annual 5,000 short tonne capacity; there is little hope markets will pick up for at least four years. TCL's main copper mine at Tsumeb has only four operational years left; while other smaller copper mines are being worked, a 25 per cent drop in world market prices in the last three months indicate reduced profit margins in the future.

According to Dr Mike Bates, president of the Namibian Chamber of Mines, present potential for expansion in existing mining operations is "negligible", and the next few years will be difficult.

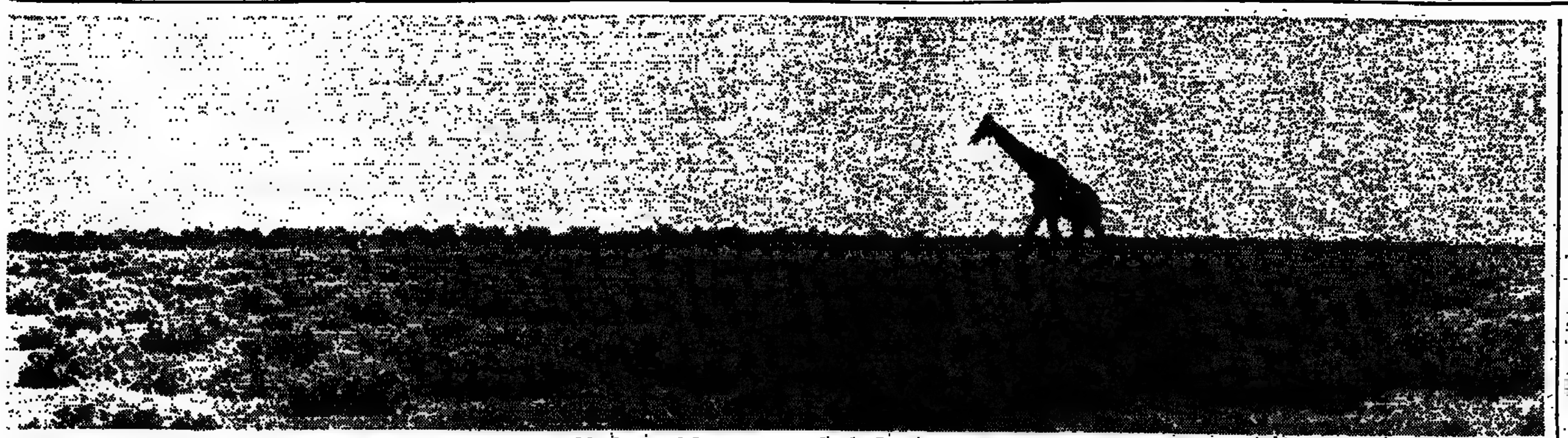
Prospecting investment is eagerly sought by the new government. In high-risk ventures, where potential returns are long term (these include hydro-carbon exploration and development) much depends on a new investment code now being prepared. But, whatever the shape of the new code, sector analysis doubt whether there will be major new mineral discoveries. While diamonds, uranium and base metals will remain the backbone of the economy for the foreseeable future, mining in Namibia has, in all likelihood, seen its peak years.

Mineral production*

Mineral	1985	1986	1987	1988	Value ($m)	% (1988)
Diamonds (carats)	939,702	1,009,600	1,037,261	974,565	280	37.5
Uranium oxide (tonnes)*	3,992	4,093	3,992	4,140	265	35.5
Copper (tonnes)	47,600	50,145	37,853	42,163	103	13.8
Lead (tonnes)*	35,500	40,047	40,634	44,447	28	3.7
Zinc (tonnes)	57,000	65,518	75,722	71,595	27	3.6
Silver (tonnes)	98	106	75	105	23	3.1
Tin (tonnes)	1,500	1,313	1,697	1,772	8	1.1
Gold (kg)	194	184	172	240	4	0.5
Others					8	1.1
Total					746	100.0

* Fiscal year ending March 31; * Production figures from various sources. The Atomic Energy Act prohibits publication of Namibia's production; * Inclusive of production from imported concentrates.

Source: West German Ministry of Co-operation



Namibia, where the flat, salty clay earth stretches to the mirage-blurred horizon and the game roam freely. During the rains, flamingos and other waterfowl descend in abundance

Mike Hall views some of Africa's most spectacular landscapes

Unspoilt natural beauty

"THE ANIMALS are stunning," says Mr Jan van de Reep, who conducts tours through Etosha National Park. "I have people who come here for the first time after maybe 20 trips to East Africa, and it knocks them over. They ask why they didn't come to this jewel before."

At the turn of the century, the Germans built a small fort at Namutoni, about 400km north of Windhoek, to control the Owambo people. In the 1950s, it was renovated and a rather tasteless concrete "rest camp", complete with swimming pool, has since been built beside it.

Namutoni is on the edge of the Etosha Pan, which was probably once a lake. Now, the flat, salty clay earth stretches to the mirage-blurred horizon. Game – including elephants, black rhino, giraffe, and an impressive array of antelope – gathers at waterholes on the pan's edge.

During the rains, flamingos and other waterfowl descend in abundance.

Namibia's political strife has, for many years, kept it largely off the tourist circuit, even for enthusiasts of Africa. Most foreign visitors are South Africans and West Germans, many of them visiting relatives, and the country's tourist potential is substantially under-exploited.

Yet it has some of the most spectacular landscapes in Africa. On the remote and desolate Skeleton Coast, beaches turn to arid plains; mountains to canyons.

The Namib desert boasts the highest sand dunes in the world. A vast open country, though with a population of only 1.4m, Namibia's greatest attraction is its unspoilt natural beauty.

Independence offers important opportunities for development, which the Government is keen to seize. Tourism is seen as a sector that can grow quickly, with relatively little investment, and provide much-need jobs. A comprehensive policy has yet to take shape.

But the basic thrust will be to conserve the fragile ecology (one ministry covers tourism and nature conservation), and to put the private sector at the forefront of development. High-cost, low-volume tours, with minimum disturbance, are likely to be favoured – while still ensuring that Namibians can enjoy their own country.

Mr Hanno Rumpf is the permanent secretary in the tourism ministry. "We must invest in nature conservation, otherwise growth opportunities will be limited," he says, adding that, while the private sector should be given freedom to expand, its impact must be monitored. So far, he says, there are no major conflicts:

"Discussions are under way, with the co-operation of the private sector, to formulate a comprehensive tourism strategy to promote Namibia. The message we have been putting across already is that we have a relaxed, peaceful situation in this country.

There is no reason whatsoever for any tourist to feel there is a threat of upheaval. What is encouraging at the moment is that we have number of foreign companies interested in investing in Namibian tourism."

Applications, mainly for hotel development and casino rights, are pending, Mr Rumpf says. Lufthansa is planning a twice-weekly direct flight from Frankfurt to Windhoek; and the Government is set to open an information office in West Germany, to boost European interest in Namibia. Although the infrastructure is excellent, compared with many other African countries, Mr Rumpf sees a need for more investment – especially in local air transport.

South Africans are likely to remain the single biggest visitors. Offices in Cape Town and Johannesburg (which also issue visas) will remain. But visitors who drive in with camper-vans, buying nothing but petrol, will be discouraged.

The private sector shares the Government's confidence in the future. "I think there is going to be a tremendous boom," says Mr van de Reep. "People who would not visit Namibia, because of the situation with South Africa, will now start coming.

There is great potential to open up new areas, but there should be small camps, thatched huts with basic necessities, so people know this is Africa."

Such fly-in camps could be set up in several areas of the north, where local culture, together with game and scenery are the attractions.

But Mr van de Reep and other tour operators stress that a tourism policy must ensure that local people are involved and receive a share of the benefits.

He is particularly excited about the possibilities of linking tours with Botswana (Okavango Delta) and Zimbabwe (Victoria Falls), and believes strongly that the attractions and increasing stability in southern Africa will begin to draw up-market visitors away from "over-crowded" destinations like Kenya.

Business guide for visitors

IT IS said that President Nujoma refused to believe he was looking at his own country when a local businessman last year showed him a home-made video of Windhoek before the liberation leader's return from 30 years in exile.

As the capital of a former colony that has been at war for more than two decades, Windhoek is impressive for those familiar with Africa's more rundown urban centres.

It is small but airy, modern and efficient, but also perhaps rather dull – which may not be surprising given the small population (80,000) and the conservative German/South African influence.

Namibia has a colourful multi-racial society which is especially evident on the main streets of the capital. Elsewhere in the suburbs and rural areas, it will take many years for old barriers to break down.

Doing business is relatively easy in African terms. With its close ties to South Africa local and international telecommunications and other services are good. Banks, commercial and government offices are central. Just about everything is available in the shops.

Afrikaans is most commonly spoken although almost everyone also speaks English, though less so in rural areas. German is widely used among the white business community in the towns.

Windhoek is far from the main population centres which are concentrated in a narrow belt along the Angolan border.

■ **Business information:** Namibia has been treated as separate from South Africa for only a few years so the information base is lacking. Trade and other statistics are often little more than good "guestimates". The First National Development Corporation (FNDC) is a good place to start, although its future role is uncertain. It has prepared a list of potential projects, most of them aid-funded contract opportunities, rather than private investment proposals.

Foreign governments have carried out assessments of various economic sectors. The West Germans have funded a detailed series and so has the UN Development Programme which is co-ordinating foreign aid flows. The Chamber of Commerce and Industry, Commercial Banks and the newly-established autonomous Namibia Economic Policy Research Unit (NEPRU) are other information centres.

■ **Travel:** Main air-connections are with South African Airways and Namib Air to Johannesburg and Cape Town. Lufthansa is likely to begin a service to Windhoek from Frankfurt. Zambia Airways flies from Lusaka once a week and a direct flight from Harare is likely soon. Namib Air (telephone 38220, telex 857, fax 36460) runs a good domestic service (from Eros airport near city) linking the major centres.

Taxis are available, though not many. A coach service connects the international airport to the city centre 40km away and there are several international car hire firms offering excellent services. (Better deals can be had by booking through local travel agents.)

The visa position is still unclear but will probably be similar to other commonwealth countries in the region.

■ **Health:** Yellow fever if coming from an infected areas. Malaria is not widespread. Trade/tourism information is available from the government office in Windhoek (telephone 226571, telex 487, fax 38643). There are also offices in Cape Town and Johannesburg (telephone 331-7055/6, telex 487820, fax 331-3037).

■ **Accommodation:** Inexpensive by international standards. Kalahari Sands (telephone 36900, telex 3174) in Windhoek is the largest and most up-market. Safari (telephone 38560, telex 483), Continental (telephone 37293, fax 31539), Hansa (telephone 223249, telex 3891) and Thuringer Hof (telephone 226031, telex 3227) are also centrally located in Windhoek.

■ **Restaurants:** The German influence is strong. Food is excellent and inexpensive and steaks (including Kudu and Oryx) are plentiful. In Windhoek, the Central Cafe and the Kaiser Kroner are highly recommended. Gathemann's first floor terrace is good for a lunch in the sun. All are on or just off the main Kaiserstrasse. There is a Japanese restaurant for variety.

■ **Telecoms and time:** Namibia is 264, Windhoek is 061, telex code is 50-908 and local time is GMT +2.

■ **Contacts:** First National Development Corporation, Private Bag 13252, Windhoek (telephone 306911, telex 870, fax 33943); Chamber of Commerce and Industry, PO Box 82, Windhoek (telephone 222000, telex 669, fax 33690); Registrar of Companies, PO Box 21214, Windhoek (telephone 226571); Chamber of Mines (telephone 37925).

■ **Banks:** SA Reserve Bank (telephone 226401, telex 710). The two main commercial banks are Standard (telephone 36780, telex 3079, fax 31560) and First National (telephone 229616, telex 479, fax 225604).

■ **Diplomatic missions:** Britain (telephone 223022, fax 228895), West Germany (telephone 229217/8/9, telex 482, fax 222981), South Africa (telephone 229765, telex 463, fax 224140), France (telephone 229021/2/3, telex 715), United States (telephone 229791, fax 229792), Canada (telephone 222966, telex 402, fax 224204).

■ **Ministries:** The central telephone number for the main government offices (in Tinten Palast near the city centre) is 308-9111. Be prepared: the change-over from South African administration will mean a certain amount of government office shifting.

FORTHCOMING FT SURVEYS

TWO other FT surveys this year will be on Africa. They are:

☐ South Africa – in June.
☐ Swaziland – in September.

Editorial synopses for the above surveys can be obtained from: The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Telephone: 01.873.3337. (direct line to Helen Martin).

AGRICULTURE

An ambitious agenda for more growth

FENCES SURROUND white-owned cattle ranches on semi-arid land along the straight road north from the capital, Windhoek. Near the town of Tsumeb, commercial farms are lush with irrigated maize, fruit trees and vegetables.

About 300km farther north, in Ovamboland, where more than half of all Namibians live, unemployed men sit beside shacks of flimsy iron sheets. Cattle kick up a haze of dust from the parched, over-grazed land. Farmers here hardly produce enough of the staple muhango (pearl millet) to feed their families.

The inequality of Namibian agriculture is stark. About 4,000 almost exclusively white commercial farmers, mostly cattlemen, control just under half the land. They have enjoyed heavy subsidies in the form of cheap loans from the local Landbank.

More than 800,000 black Namibians live on communal land. There has been little investment in water supplies, which has caused many people in the north to settle alongside a single 350km underground pipe that runs parallel to the main road. It brings water from the Ruacana dam in neighbouring Angola.

There have been few incentives to produce. Until recently there was no marketing structure for surplus millet (the Agronomic Board has now started buying it in some areas, to help ensure food security in Owamboland); and the South African occupation of the north, and more recently the UN presence, has distorted the region's economy with artificial cash inflows.

Neglect is also evident from the lack of even the most basic statistics on subsistence farming, according to the UN. Astonishingly, no local scientific trials have ever been officially carried out on millet varieties, even though it is the staple foodgrain.

Not surprisingly, the new government stresses the importance of agricultural development. "I see it as priority number one completely," says Mr Gert Hanekom, the Agriculture Minister, "for the simple reason that 70 per cent of our people depend on farming, and we have a very serious unemployment problem." It will also preoccupy aid-donors.

The immediate concern is to provide jobs for those who are returning, former members of the army, Swapo's ex-fighters and the unemployed. "It is the duty of agriculture to accommodate these people," says Mr Hanekom. UN, Scandinavian and church aid has already helped many to resettle in existing communities.

But new areas in the north will also have to be opened up, to ease present land pressures as well. Unused land is available in Ovamboland and Kavango, if only water for people and livestock can be provided. Putting in boreholes or extending the existing piped water system will be expensive.

'If they can turn the Sinai desert green. why can't we do it here?'

Initial planning work recently began in eastern Owamboland, on the King Kauluma scheme which could involve some 2,000 people on about 16,000 hectares; though details are still unclear, it seems millet and livestock are planned. An important factor, which could affect long-term viability, is lack of knowledge about the extent of underground water.

Fences surround cattle ranches on semi-arid land along the road north

Crop-production (mainly millet) will be given priority, to reduce South African maize imports, says Mr Hanekom. "Namibia should be self-sufficient in food." He believes a production increase would follow private and state-run marketing networks, with prices guaranteed. Above all, he says, he wants subsistence farmers to commercialise, and the urban unemployed to return to the land.

The Government says it also intends to pump capital into large-scale irrigation. A dam on the Okavango river and downstream canals irrigating a variety of cash crops are proposed for communal areas in Kavango. Mr Hanekom says Israel has offered technical aid. "If they can turn the Sinai desert green, why can't we do it here?" he asks.

Such an ambitious approach worries some people. Much large-scale irrigation, they say, has proved disastrous in the developing countries: it can cause serious environmental problems and is often uneconomic.

The Government says it is aware of the hazards. "No project will be carried out without a feasibility study," says Mr Hanekom, whose portfolio includes rural development and water affairs. "We are going to try and do it sensibly."

Mr Wolfgang Lechner runs a small farm training centre in Ovamboland. "Irrigation is not the answer," he says. "Development should build on traditional agriculture. We should concentrate on making people more productive subsistence farmers first, then introduce new ideas and commercialise gradually."

He has investigated more than 50 millet varieties, one of which can more than double yields. With the church as an extension service, it has already gained local acceptance. "My message is this: very simple things can be done with relatively little cost for high returns."

Namibia will have to build up a proper extension service, train agronomists and establish a network for supplying inputs and buying surplus produce. Credit institutions will have to be established to help small farmers.

Commercial farmers will be left to fend for themselves. The Government has said there will be no wholesale re-expropriation of land. Many are confident about the future – though there is concern at the possible imposition of a minimum farm wage and other measures to force improved workers' living standards.

A small proportion of land will be taken over by the state for resettlement – such as farms of absentee owners or those used for hunting. The Government says compensation will be paid. It will also help prospective farmers with subsidised financing for land purchase, to help reduce inequalities in land distribution.

But the overall approach is pragmatic. An indication of this is the ministerial appointment of Mr Hanekom, a white Afrikaans-speaking chartered accountant and the only non-Swapo member of the cabinet.

Commercial agriculture is well developed. There are opportunities for growth in import substitution, adding value to exports and developing new markets. But the climate, a small domestic market and severe competition from South Africa are major constraints.

The new government has adopted an ambitious agenda. Many question are unanswered. It will be months, at least, before a coherent strategy emerges, and several years before it can be assessed. But few Namibians doubt that success in agriculture is politically vital.

Mike Hall

ARTS

CINEMA

Ghostly encounters

ALWAYS
Steven Spielberg

STRAPLESS
David Hare

TANGO AND CASH
Andrei Konchalovsky

RUDE AWAKENING
Aaron Russo and David Greenwalt

Watching Steven Spielberg's *Always* is like watching a conjuror undone by his own virtuosity. Losing track of his own tricks, he pulls hats from rabbits instead of rabbits from hats. Instead of sawing ladies in half, he saws himself in half. And when he pulls the coloured handkerchiefs from his sleeve as a grand finale, few people are still around to applaud: just as few people are interested in a handkerchief hand-out at the end of this movie, hard though it tries to tug at our tear-ducts.

Always is brimful of brilliant cinema and dismayingly dry of emotional impact. For half an hour, remembering *Jaws*, *ET* and *Close Encounters Of The Third Kind*, we cheer the film on as firefighting airman Richard Dreyfuss dashes through the flames in North-West America, coming to earth only to romance air-base girlfriend Holly Hunter. Smooching and wisecracking in the amber-lit mess room, or trading banter in the bedroom, this feisty duo seem set fair to propel filmmaker Steven into adulthood when – oh dear, Dreyfuss dies. In a plane crash. End of part one. Cut to fantasy.

What follows will come as a shock to no one who has seen the 1943 Spencer Tracy film *A Guy Named Joe*, which inspired Spielberg's movie. Here as there, our hero returns to Earth as a ghost to watch over his beloved's new romance with a rival airman (Brad Johnson). This cues an hour or more of "love means letting go" pathos, played by two male actors neither of whom can communicate with the lead actress. Dreyfuss for obvious reasons: he is invisible and inaudible to everyone but us. Johnson for less obvious reasons: he is a hole in the screen.

Spielberg's gravest miscalculation in the film was to cast this zero-personality beefcake in a role that cries out for star charisma. To have had Tom Cruise or a young Robert Redford in the part might have transformed the whole movie. Instead poor Miss Hunter is left punching out her feisty Southern vowels to thin air. Dreyfuss is left mouthing raptly to the furniture. And the audience is left counting the Spielbergian *coups de cinema*, as if stylistic fireworks were a substitute for dramatic fire.

If only they were. Spielberg still has his poet's eye for image as metaphor. An open refrigerator door outlines Dreyfuss in an icy-blue glow as if in premonition of his death. A carpet of clouds part to reveal a surreally glittering skyscape of stars. And in the marvellous opening shot, a water-plane touches down like a giant bird behind two oblivious fisherman on a lake.

But as Spielberg's recent movies have shown, there is the thinnest of lines between poetry and feyness. The man who can depict a plane as a bird-god can also give us Audrey Hepburn as God helping, a heavenly hairdresser. And the man who can be inspired by grand old Hollywood movies can also insert arch little homages like the John Wayne impersonations which pepper Johnson's dialogue. (They only make us wish Wayne were alive and young and playing the role.)

Filmgoers still look on a new Spielberg movie as an event: a response the director has earned. But in his desire to grow up as a film-maker, he is merely growing into a Disney-land version of maturity. Just as *Empire Of The Sun* turned J.G. Ballard's novel into a Boy's Own blend of adventure and inspirationalism, so *Always* turns an adult love story into two hours of toy planes, tremulous mysticism and romance made pure and pre-carnal by immortality. For Spielberg, one suspects, love after death means never having to say you're horny: and romance across the mortal divide means we can stay as children while playing at being adults.

*

David Hare's *Strapless* has problems exactly opposite to those of *Always*. It scores nine out of ten for content, two for style. One believes in the sudden jerking into emotional daylight of a fortyish woman doctor (Blair Brown) who falls for a shady Anglo-European (Bruno Ganz) she meets on holiday. Soon she is losing her precious hold on self-control, pushed into self-awareness by love, by the daily glimpses of death's dominion at her hospital and by the embattled hedonism of her younger sister (Bridget Fonda): a bed-happy blonde who accepts that the price of carefree promiscuity may end up being careworn motherhood.

The characters hum with life despite their peculiar ethno-cultural plumage. (What is Ganz's nationality? And surely an American doctor working for the NHS, let alone being picked like Ms Blair to spearhead union discontent, smacks less of plausibility than of mid-Atlantic box-office convenience?)

Eccentricities of character pedigree apart, Hare's flair for tweaking reality in surprising directions gives the story a constant vitalising verve. A horse materialises magically in a midnight street, a courting gift from Ganz. A registry wedding is aborted by a glimpse of someone else's heart. A baby is born in a jacuzzi to the strains of Mozart. Everywhere, the emotional maplessness of human life produces patterns poised between farce and tragedy.

But what the film needed to lift it from the good to the brilliant was a bolder use of movie technique. The mise-en-scene consists largely of characters hitting their chalk marks and delivering. And emotional heightening (or ironic hyperbolising) is too often left to Nick Bicat's music score, which wells up luxuriously at the drop of a dialogue hiatus.

Hare so cherishes his mandarin words and his actors' lived-in faces that his camera follows them about like a too obsequious butler. The movie's one cinephile flourish – its nod to Hitchcock's *Suspicion* in the tale of a sweetie-pie bridegroom who turns into a suspected scoundrel – has one yearning for the Master's transforming touch: the luminous glass of milk, the spider's-web lighting pattern. *Strapless* is a stride forward from *Paris By Night* and a more curious, resonant work than *Wetherby*. But Hare the playwright has still drunk only half the magic potion that might turn him into Hare the *film-maker*.

*

"He thinks he's Rambo" scoffs someone of Sylvester Stallone in *Tango And Cash*. "Rambo is a pussy" retorts our overhearing hero.

Yes indeed. Strewing chaos, mayhem and corpses around the landscape in the tale of two feuding cops (Stallone and Kurt Russell) who team up to fight an underworld Mr Big (Jack Palance), *Tango And Cash* makes *Rambo* look like a "Keep Vietnam Tidy" commercial. Thudding around LA on foot, on wheels and in an assortment of semi-armoured cars, Messrs Tango and Cash keep the city streets clean of crime while fouling them with every other known form of socio-cultural pollution.

As Cash, Kurt Russell plays Kurt Russell, flexing the meat-pie looks and "good ol' boy" charm enjoyed in *Big Trouble In Little China* and *Tequila Sunrise*. As Tango, Stallone decides on an image change. Donning a smart suit and a pair of specs, an actor whose speciality hitherto has been to play cavemen with sinus trouble he here transforms himself into – well, a caveman with sinus trouble and specs and a smart suit. (But one appreciates the gesture.) The two stars biff Randy Feldman's wise-cracking dialogue at each other while fighting crooks, chasing cars, going to jail, escaping from jail, blowing up top-secret plants and finally cornering Jack Palance as Mr Big. Now, Mr Palance is truly something. Having almost stolen *Batman*, he entirely *steals this* film. Resembling a giant lizard quarried from a volcano, he seethes and huffs and hisses and bubbles. At 71 he shows that age, far from withering some actors, merely withers their opposition. Director Andrei Konchalovsky (*Runaway Train*) looks on amazed and keeps the camera rolling.

Last and least, *Rude Awakening* is a witless "comedy" about two ex-hippies (Cheech Marin, Eric Roberts) who return to New York after 20 years of crashing out in a Central American jungle. They find that everyone has turned into yuppies. Everyone, that is, except the audience, who have turned into coma victims. The long, jokeless film is directed by Aaron Russo and David Greenwalt.

Nigel Andrews

Richard Dreyfuss, Holly Hunter and Brad Johnson in Spielberg's "Always"

Ballet Rambert

SADLER'S WELLS

Since the Rambert dance company "went modern" in 1965, its history has fallen into two opposed chapters: 1, before 1980 (when Richard Alston joined the company) and 2, after. Each chapter has had its American guru - Glen Tetley (sub-expressionist and moody-blue) for the pre-1980 era, Merce Cunningham (classical and cool) ever since. Tuesday evening was something new for the Rambert - a "U.S. Choreographers' Evening." In a very British, very placatory way, it presented two by Cunningham, one by Trisha Brown (one of the leading post-Cunningham choreographers) - and an oldie from 1968 by Tetley, *Embrace Tiger and Return to Mountain*.

The Rambert has its work cut out right now in handling the Brown and Cunningham choreography. Brown's work is liquid and wriggly; Cunningham is linear, taut and firm. To bring off both is quite a feat, and last year the Rambert did just that. But Brown's *Opal Loop* - as Clement Crisp reported a fortnight ago, is not in the shape it was then. The spines and thighs don't show the up-and-down current as incisively as they did. It's still a likeable performance of a fine work, but it was more.

The Rambert performance of Cunningham's *Doubles* is a diagram of what it could and should become. Since the company only acquired this 1984 masterpiece in January, that's to be expected. So far, however, I find it easier to remember the performance the Cunningham company gave of it here in '85 than those the Rambert have been giving. This was even more true on Tuesday, when the seven roles were taken by a second cast. What's missing? In the amazing pairs of bucking-bronco jumps the men do, only Paul Old really *stretches* his spine right forward (on the first jump) and then back (on the second). The five solos, which are so full of riveting dance information, aren't yet momentous.

But what I miss most is an inner drama. "Dancing is a spiritual exercise in physical form." Thus spake Cunningham, but it is seldom true of the Rambert *Doubles*. Catherine Quinan, the company's most interesting female dancer, is already halfway there. She's calmly surprising – which is how the whole piece may well look in a few more months.

And when I look at the Rambert performance of Cunningham's *Septet*, I'm hopeful that its *Doubles* will become the poetically eventful marvel I know it to be. *Septet* is what historians call "seminal." In this, the oldest Cunningham work now being performed, Cunningham shows us a whole gamut of what he can do, what he went on to do and what he never tried again. It is full of ideas about movement to music and to silence, about using music for movement and for stasis, about the traditions of dance and classicism from old Greek chain-dances through to Balanchine's ballet *Apollo*, and in a hundred tiny ways it is strangely, beautifully dramatic. The Rambert dancers do it proud.

Alastair Macaulay

Sugar Hill Blues

CROYDON WAREHOUSE

Kevin Hood's first play since his award-winner *The Astronomer's Garden*, revived briefly at the Royal Court's Theatre Upstairs last autumn, is a rough diamond of mood and music set aboard the Queen Mary and in a clapped-out apartment on Sugar Hill, New York, home to a clapped-out jazz great. Once again, Hood hangs modern preoccupations on an historical peg, allowing the style of his period to infuse his writing. In this case, the riffs and dives of jazz are echoed in a script which, initially, certainly, seems to eschew conventional dramatic structure in favour of freewheeling, poetic connections.

An idealistic Tynesside brickie has thrown up his job to work his passage across to New York and the tuition of a sax player, whose records he has bought and devoured. He arrives to find the saxophonist blind and locked in a Tiresian rage against the world, refusing to play and denying any part of a material universe which intrudes on his madness in the form of his pregnant, blues-singing girlfriend, whose insistence that "all I want is the regular things" sets up a forlorn dissonance with her insight and her loyalty. "Such a perfect memory for pain and you never played a note of it," she tells him, more in sadness than reproach, as he sublimates his anger by burning the 20 dollar bills offered by his talentless pupil.

Hood's theme, then, is relatively straightforward; it is the variations that create the complications. The relationship between jazz and gospel is roughly explored, as is the cultural collision of different musical styles, with the soulfulness of jazz set against the frigid, rhythmless trilling of a "post-prandial chanteuse," hired to send the old folks happily off to sleep after their shipboard banquets.

The problem comes when Hood's fascination with style obscures what he is trying to say, which is more cross-grained and resonant than the familiar beating of the drum for black musical superiority and cultural subordination. His repeated breaches of structure are too clever for clarity, but stretches of inspired writing are given full rein by Ted Craig's direction of a hugely talented cast.

Okon Jones packs charisma into the fervid, weaving ramblings of the black jazzer, as does Pauline Black into his long-suffering, durable girlfriend. One of the best, most clearly articulated and funniest scenes brings this exquisite singer up-river in laryngitis with *Liza Sadovy*, crisp and cutting as an iceberg and quite inaccurately dismissed as tuneless, in the antechambers of the male musical ego: two sidekicks who both refuse, in their very different ways, to take it lying down. In the next room Simon Slater's Bernie, scarlet with effort and embarrassment, huffs and puffs at an instrument that resolutely resists life. This elegant and, for once, simple juxtaposition of scenes makes it suddenly and blindingly clear that this flawed but fascinating play is not about the humiliation but the dignity of difference.

Claire Armitstead

How Steeple Sinderby Won the FA Cup

MERMAID THEATRE

The fans were out in force on Tuesday night at the Mermaid. Their presence willing the *home team to win – and that* is what this raucous entertainment is all about – made an alternative title seem appropriate: "How the Swan Theatre came from Worcester to win at Puddle Dock." It was in Worcester that an adaptation of J.L. Carr's novel was first mooted by Christopher Lillicarp and Mike Fields, and there in September last year that it first kicked off.

Carr, a witty novelist twice short-listed for the Booker Prize, is fond of depicting English village characters. His people achieve remarkable things through their proficiency in a craft and their steadfast refusal to be pushed around.

They also possess a strong admixture of faith. One of his best books was *A Month in the Country*, adapted for television. In *How Steeple Sinderby Won the FA Cup* all the above ingredients are present in a group of characters dedicated to the realising of a collective daydream.

The technical skill comes from a Hungarian refugee schoolmaster (Nick Spurr) who reckons that the way to succeed at football is to keep your eyes away from the ball.

The stubborn resilience is provided by the local farmer, Fangfoss (Phil Croft), the chairman of the club, who makes short work of the opposition at committee meetings. He is a great wielder of the gavel. And the faith comes from the captain, a former Aston Villa player (Roger Martin), and the local Vicar (Simon Needs).

We watch them get their act together, as the story unfurls as predictably as a supporter's striped scarf, narrated by Simon Coates, the village simpleton. Considering that the entire cast only numbers seven – two of whom are women, Karen Davies and Justine Midda – they do pretty well to simulate an entire team 11-strong whose progress to Wembley beating several country teams and then Hartlepool, Leeds, Manchester City and Aston Villa in the semi-final, is fully charted. We watch all these games through the eyes of commentators.

The satire is like the football, lacking in subtlety but has enough aggression to be pleasurable to watch. The touching sight of the skipper spoon-feeding his severely disabled wife was managed without embarrassment in Mike Fields's fast-moving charade-like production.

Anthony Curtis

Songmakers' Almanac

WIGMORE HALL

It is difficult to know whether it is an advantage or a handicap for a song composer also to be an editor of the songs of others. Geoffrey Bush, 70 this year, has worked assiduously in the field of English song and it was entirely fitting that the Songmakers' Almanac should celebrate his birthday with a programme that combined Bush's own music and that of his forebears in, as it were, a compendium.

Among the composers Bush has featured in his volumes of *Musica Britannica* are forgotten names like Edward James Loder and Arthur Goring Thomas, Liza Lehmann and Maud Valerie White. Each was included here by Graham Johnson, who made a spirited defence of the English song tradition. Easy to appreciate why, when one comes across a piece as lyrical as Loder's "I heard a brooklet gushing", beautifully sung by Anthony Rolfe Johnson.

The main feature of the evening, though, came from Bush himself. This was the première of his cycle *Songs of the Zodiac*. Set to a series of poems by the composer's childhood friend David Gascoyne, it is a series of 12 pithy variations, which give a musical sketch of the inventive images that describe each sign – a crawling crab, a limping goat. The descriptive nature of the work is happily handled with skill and subtlety.

Only after the interval did Johnson let on that the cycle takes a line from one of Britten's songs as its theme. Whether intentionally or not, it also has something of Britten's spare and pointed style about it, which marks a move on from the time when Bush wrote within the more comfortable tradition of his teacher, John Ireland. As he remarked himself, he "grew up at a time when the centre was not yet forbidden ground."

Examples of that music from "the centre" included a couple of lyrical settings sung with a lovely, unmawkish freshness by Lillian Watson. Nevertheless, with the baritone Henry Herford sounding somewhat unfocused, it was left to Rolfe Johnson to raise Bush's music to its full stature. On the evidence here this tenor is without peer as a singer of English song and no composer could wish for a more inspired champion.

Richard Fairman

Spatial Decay

THE PLACE

Laurie Booth is a compulsively watchable dancer. The stage persona is very controlled, tight in physical and emotional focus. His movement appears to call upon many sources – from basic modern training to oriental forms, and not least his own almost acrobatic suppleness – and the improvisatory air of his style can seem a skilful mask for carefully considered effects. But improvisation is a central concern of his art, and in a new piece, seen on Tuesday at the Place, he offered a serious study in the unpredictable and unpredicted as performance, in collaboration with Gill Clarke, Russell Maliphant and Scott Clark.

Grey brick walls; the cast in gauzy grey outfits; a soundtrack (ranging from painful quadrophonic battering by drums to faint chirpings) by Hans Peter Kuhn; and Booth's well-argued programme note which exposes the dangers and rewards of improvisation. What we saw was a structure of movement whose immediate incidentals were easy to understand. A dance idea could be stated and explored by one dancer, taken and transmuted by another, copied, repeated, inverted. (Something very like the death throes of the Golden Slave in *Scheherazade* was a recurrent image). Emotional states – two men challenging each other – had both physical and psychological implication. Ravishing visual effects – Maliphant like a ghost or a memory in the dark distance of the dance area as two other performers moved in full light – and stirring contrasts of shape, of action and inaction, fed the eye and mind.

But the ultimate and shaping purpose of these elements, a guiding thread other than the very fact of the style, which I associate with Booth's own controlling presence and intelligence, was less clear. Action moved from small-scale to larger form, from simple to complex. The work of Booth and Maliphant had a boldness and a dynamic expansiveness not evident in the dancing of the other two collaborators. This was plain, and perhaps I am asking more than the piece was prepared – or supposed – to give, proposing my own formal preconceptions rather than accepting Booth's freer and more allusive view of choice and the moment's creative impulse.

But whatever the final "message" from the dance, the incidentals were, as ever with Booth, most satisfying, especially in his own guru-like presence and in the work of Russell Maliphant, and in a tension and a rapport between these two very fine dancers.

Clement Crisp

Un giorno di regno

BLOOMSBURY THEATRE

"King for a Day" was Verdi's second opera, and his only comic one until *Falstaff* 53 years later. One can imagine why he might be reluctant to repeat the exercise: he completed *Un giorno di regno* in 1840 only at the unrelenting insistence of his publisher, for his young wife had died while he was in mid-composition – after they had lost both their children in the preceding year. In fact no grieving shade seems to hang over Verdi's score, which is professionally cheerful and energetic, and deeply beholden to Rossini. If it amounts to anything more, this deserving revival by University College Opera (whose enterprise is dauntless) unfortunately fails to show us what.

The trouble is not with Terry John Bates's amiably straightforward production, nor with Clive Lavagna's thrifty and effective setting – a great yardage of multi-coloured cloth which hangs from a dozen pulleys and is adjusted to a new shape for every scene. There is a little trouble with Christopher Fifield's orchestra, not because he conducts it with anything less than his customary fervour, but because its violins are comically fallible: whenever a singer needed the strings to give him his note, they offered an embarrassment of choice.

The near-fatal mistake, however, is to sing this quite unfamiliar piece in Italian, without surtitles and with a hopelessly inadequate synopsis (also by Bates) in the programme-book. Felice Romani's conventionally silly plot concerns a Chevalier masquerading as the exiled Polish king, whilst the real sovereign makes a clandestine return to Poland, and thereby unveiling two romantic unions. It is carried entirely by the words; here, it took a long time even to work out which character was which. Italian speakers may enjoy an advantage, but I suspect the case is more like that of the all-star Covent Garden Cost to which I once took an Italian friend, astounded to learn at the interval that the opera was being sung in "Italian" – he'd supposed it to be some opaque variety of non-native English.

In the circumstances, given the dearth of really original touches in Verdi's score, it was impossible to guess how much operatic wit may be embodied in the words-and-music combination. The brace of prickly amatory duets in Act 2 went with enough verve to suggest some well-composed comedy. The baritone Richard Lloyd Morgan lent intelligent authority to the pretended King; Murray Kimmins wielded his warm, rounded tenor without special finesse. As their soprano *inamorate* both Tizzie Dennett and Jenny Miller displayed commendable style and lively stage personalities, and Lawrence Richard's mature bass Baron was usefully matched with Graham Stone's choleric young Treasurer. The rest of the cast, all students, sang up well. Last performances Friday and Saturday.

David Murray

ARTS GUIDE

March 16-22

EXHIBITIONS

London

The Tate Gallery. *The entire* permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored galleries, from *16th century* British painting through to the the most recent of modern international art. It is a curatorial triumph.
The Barbican. Scottish Art Since 1900 – a brisk *and effective* celebration of what has always been a most vigorous and distinctive national school. Daily until April 16; sponsored by Flemings.
The Royal Academy. *Frans Hals* – the great retrospective, already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters *of the 17th century* Dutch school. Until April 8.

Paris

Grand Palais. *Soliman* Le Magnifique. A treasure trove of goldsmiths' work, miniatures, ceramics and textiles recalls the splendour of the reign of Soliman "the *shadow* of god on earth", whose Ottoman Empire stretched in the 16th century from the Caucasus to the gates of Vienna and from Algeria to the Persian Gulf. Closed Tue, Wed late closing, ends May 14 (42895410).
Musée d'Orsay. The Fragmented Body. Parts of *the human body*, or the incomplete body form the *leading strand* of an exhibition beginning with ex-votos and reliquaries and culminating in a celebration of Degas, *Bourdelle*, Maillol and especially of Rodin. Closed Mon, ends June 3, entrance Quai Anatole France (40494814).
Centre Georges Pompidou. Pavel Nikolaievitch Filonov. A solitary figure of the Russian avant-garde, he refutes cubism and futurism as contrary to *nature's – and art's – organic* development. Closed Tue, ends April 30 (42771233).
Musee Carnavalet. Antique bronzes. Some 400 statuettes *bring to life* the Gallo-Roman world up to the 5th century. Closed Mon, ends July 1 (42722113).

Brussels

Archives Générale du Royaume, Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire. Daily, closed Sunday, ends 31 March.
Musées Royaux D'Art et D'Histoire. The Enigma of the Easter Islands is partially deciphered *in this* exhibition of photographs and artifacts. Closed Monday, ends April 29.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European *Context (1900-1930) with* works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

Antwerp

Koninklijk Museum voor Schone Kunsten. Belgian Painters of *Country Life.* Closed Monday, ends April 22.
Provincial Museum Voor Fotographie. Works of the British 19th century photographer William *Henry Fox* Talbot. Closed Monday, ends April 1.

Berlin

***Staatliche* Kunsthalle,** Budapester Strasse 42: Lasar Segall (1891-1957) around 350 paintings, drawings, sculptures and graphics of the Brasilian painter, born in Wilma, are to be exhibited until April 20.

Mainz

Landesmuseum. *Marc Chagall* (1889-1985), who died in 1985 was one of the most polular artists of the 20th century. Around 106 of this works, not shown in public *before* are to *be only* seen in Mainz until April 22. The gouaches, water-colours, pastels and paintings present themes of the old testament.

Vienna

Kunstsforum. Works by the Romantics, ranging from Caspar David Friedrich to Adolph Menzel.
Museum fuer Volkerkunde has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

Venice

Palazzo Grassi. Andy Warhol Retrospective. 250 works from the major exhibition organised by Kynaston *McShine for the* Moma in New York last spring, to which have been added about a dozen from private *Italian* collections. Until May 27.
Palazzo Vendramin Calergi. The game of love: Venetian courtesans from the 14th to the 18th century. Ends April 16.
Museo Correr. Jacopo Palma il Giovane (1548-1628). Ends April 29.

Milan

Castello Sforzesco. *Henry Moore* retrospective. 49 sculptures covering the years 1938-1983, the larger of which are seen to excellent effect in the courtyard of the 15th century castle, while the smaller bronzes are shown inside, in the beautifully lit Sala Viscontes. Ends March 25.

Rome

Villa Medici. Self portraits from the Uffizi – from Andrea del *Sartoto Chagall.* Thirty works from the collection started by Cardinal Leopoldo de Medici in the 17th century. Particularly interesting is the fierce and *uncompromising self-portrait* painted by Ingres in 1858. Until April 15.

Madrid

Fundacion Juan March. Ian Woodner collection *of works by* Odilon Redon. A very complete exhibition consisting of some 100 works in various media, illustrating the different aspects of *the French symbolist painter's* work. Ends April 1.

Barcelona

Palacio Tinel. Baroque Painting in the *Mediterranean. The Italo-*Spanish festival brings together sixty 17th Century works belonging to Spain and Italy. Velazquez, Murillo, Rubens, Van Dyck, Clau*dio Coello, Testa, Cavallino* are included. Ends March 30.
Museo Picasso. Cubist works belonging to the National Gallery of Prague - Kramar Collection. *The show includes 17 paintings* by Picasso together with an important selection of works by Czech and French artists. Ends April 29.

New York

New York Public Library. More than 125 documents of the Aboli*tionist Movement, including* photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.
Centre for International Contemporary Arts. Large-scale works in pastel and compressed charcoal by 31-year-old British artist David Oliphant, is the first of a series of four shows of young British artists slated for this new, well-received arts institution. Ends April 21.
Museum of Modern Art. In its *serious, thorough way the* museum gives its version of the history of photography, showing *off earlier* image-developing techniques along with 275 photographs. Ends May 29.

Washington

National Gallery. A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in *Morocco during his* visit in 1912-13 including 23 paintings and 45 drawings, among them the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.
National Gallery. Highlighting this *decade's* renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper *Johns*, Richard Diebenkorn and Alex Katz. Ends April 8.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementoes and personal effects of the Great Emancipator.

Tokyo

Teien Museum. *German Romantics.* Loan exhibition from Dusseldorf – stronger on mid-19th century academic painters than on visionaries such as Friedrich and Bocklin. This museum is a former palace and has a superb art deco interior and a pleasant garden for strolling in. Closed Wednesday.
Idemitsu Museum. Ceramics of Japan. Second part of a comprehensive exhibition devoted to major pieces from the museum's own vast collection.

FINANCIAL TIMES
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Fine tuning on taxes

MR JOHN Major, like most British chancellors this century, believes that the tax system should be used to promote good causes. In his opinion, the British public should save a larger proportion of their incomes and give more generously to charities. He has therefore announced a raft of new tax incentives for saving and giving. Other favoured causes include child care facilities and training. The use of tax policy to mould the behaviour of individuals will strike many as entirely justified. But it raises serious philosophical questions and runs counter to the thrust of tax reform in the 1980s.

Mr Nigel Lawson, at least in the early years of his chancellorship, championed the cause of fiscal neutrality. This is the doctrine that governments should not use the tax system to influence the behaviour of individuals and businesses. Fiscal concessions, the argument ran, invariably do more harm than good. They foster inefficiency by encouraging economic agents to do things that would not seem profitable in the absence of the tax breaks. They squander revenue which must be made good with higher taxes on less-favoured activities. And they are almost impossible to abolish even when the cause is no longer regarded as deserving. The right policy, argued the reformers, was to scrap tax breaks, reduce tax rates and simplify the life of taxpayers.

Broad tax base

In his early budgets, Mr Lawson tried to eliminate concessions and create a broad tax base. His first radical budget saw the scrapping of corporate investment incentives and the abolition of life assurance premium relief. He then sought to reduce the tax privileges of pension funds and rein back the incentives for home ownership. But political opposition proved too powerful. In the second phase of his chancellorship, Mr Lawson therefore embarked on a new strategy: that of "levelling up" tax concessions. Personal equity plans (PEPs), for example, were introduced to give individual investors a taste of the fiscal privileges long enjoyed by the big pension funds.

Mr Major has taken the "levelling up" strategy a stage further. He has increased the attractions of PEPs, abolished the composite rate tax, substantially increased the capital gains tax threshold of married couples and, with the Tax Exempt Special Savings Account (TESSA), created a brand new incentive for unsophisticated small savers. As a result, a sizeable proportion of personal saving, especially that of low income households, is now fiscally privileged. In effect, the Expenditure Tax advocated by the Meade Committee in the late 1970s (and derided by Mr Lawson in his first budget) is being implemented by stealth.

Saving performance

It is hard to quarrel with the causes which Mr Major wishes to promote. An improvement in Britain's saving performance is badly needed if the current account deficit is to be reduced without adverse consequences for employment and growth. The voluntary sector needs a boost if it is take on some of the tasks previously reserved for central and local government. Improved child care facilities are required if labour supply is to be maintained during a demographic downturn. The Chancellor may be heartened to learn that saving, giving and child care are also the flavour of the month in the US. Conservative economists in Washington (see book review on this page) are advocating tax breaks for all three activities. The only difference is the scale of relief envisaged.

Yet there are big risks in Mr Major's approach. Showering tax relief on a few favoured causes does not constitute a coherent tax reform strategy of the kind Mr Lawson was groping towards in the mid 1980s. Nor does it guarantee that the favoured activities will prosper: for example, the best way to raise savings in the short term would have been to tighten fiscal policy. The concessions will, however, act as a spur to special interest groups. Mr Major needs to think harder about the overall structure of taxes before making further *ad hoc* changes. If he does not, the tax code will grow steadily more complex in the 1990s.

Sympathy for South Korea

PITY SOUTH Korea, which at present can do no economic right. The government is criticised by the US for anti-competitive trading and exchange rate policies and by a vocal domestic lobby for liberalising too fast and precipitating an economic crisis.

With growth around 7 per cent, inflation stable at 5 per cent and unemployment at 2½ per cent, it is a "crisis" which would do very nicely for almost any other country. Nevertheless, the extraordinary 1986-88 economic boom, during which South Korea progressed from dictatorship to democracy, from chronic deficit to decent surplus and from mountain to molehill of net debt, has faded away. Moreover, President Roh Tae Woo, in a display of jitters, has sacked his economic ministers in a move heralding more expansionary policies of the traditional export-promoting kind.

The latest US side-swipe comes from Mr Charles Dallara, an assistant US Treasury Secretary, who castigated Seoul finance ministry officials because the won has been depreciating against the dollar since the beginning of this year. He is over-reacting to a depreciation of just 2 per cent against the dollar.

The exchange rate has been at the centre of trade disputes between the two countries for several years. But in the last two years the Korean won has appreciated by 15 per cent and last year South Korea's trade surplus with the US fell by 47 per cent. South Korea can no longer be accused of not trying.

Muscular argument

South Korea's perception that it is in the throes of an economic crisis has prompted a muscular argument about economic policy. Although the country's GDP growth is one of the highest in the world, it is now running at half the rate of the preceding three years. Wage claims and settlements continue to soar; the government has raised its rice-buying price by more than 30 per cent since 1988; and in the first two months of this year the current account returned to deficit.

This is too much for the conservatives, who argue that the government damaged Korean competitiveness by allowing the won to appreciate. This conveniently overlooks the fact that such a policy neutralised US pressure on Korea which, unlike Japan, was not caught last year as an unfair trader under the "super-301" clause of US trade legislation.

There are two options for the Korean economy. The outgoing team of economic liberals believed that there should be no going back to export subsidies and that labour-intensive sectors would have to wither in favour of higher-value-added industries.

Opponents' complaints

Their opponents complain that liberalisation and restructuring are being attempted at an unsustainable pace and that exporters require more help through easier monetary policy and a further depreciation. This would boost exports, profits and capital investment although there would be some danger – apart from another row with the US – of losing much of the expected gain in competitiveness through rising inflation, with exports and economic growth declining together.

The liberals have not been helped by baying from the US trade lobbies. Seoul and Washington will both probably have to learn that the next phase of South Korea's development will be bumpy. On the fundamentals, Korea should be able to sustain another five or 10 years of super-growth before, like Japan, settling into maturity, with 5 or 6 per cent GDP growth then ranking as excellent and 13 per cent as neither desirable nor achievable. But the country's new-found democratic politics are putting wage push, labour unrest and demands for welfare expenditure in the way of continued super-growth.

Liberalisation continues to offer the best chance of combining rapid economic growth with political reform at home and acceptability abroad. Seoul must be encouraged to press on with its proposed economic and financial reforms, including the establishment of an inter-bank exchange rate market. And, as Korea reforms, the US should respond less cynically.

ECONOMIC VIEWPOINT

The neglect of sterling

By Samuel Brittan

WITH another set of trade figures due at 11.30 this morning, I am too long in the tooth to stick my neck out on the immediate state of the economy or the short-term reception of the Budget. This will be covered in the Lombard column next Monday, which will incorporate my Teenager's Guide to the Trade Figures.

Unlike the most quoted City analysts, I have never advocated tax increases nor called for a so-called tough Budget. Contrary to the conventional wisdom, these would not be helpful either for short-term demand management or for improving the long-term savings balance.

If the UK Budget can be balanced over a whole economic cycle, this would be a big improvement on anything seen since Neville Chamberlain (I mean Chamberlain as Chancellor, not his subsequent performance as a Prime Minister who disastrously tried to run his own foreign policy). It would also be an improvement on the fiscal performance of nearly all the other Group of Seven countries.

The Chancellor should not be criticised for failing to introduce something that would have been neither necessary nor desirable. But unfortunately, instead of meeting his fiscal critics head on, John Major insists against the evidence that his has been the toughest Budget for 10 years, a claim with which he cannot be allowed to get away. It seems to be based on the discretionary tax changes announced in the Budget which, instead of remitting revenue, are expected to bring in an extra £0.4bn in the coming financial year. Such a yardstick not only neglects expenditure. It also does not even cover the Revenue side properly. This method of assessment should have been buried with fine-tuning.

The best starting point for assessing fiscal policy is still the overall Budget balance. This is expected to change very little, from a Public Sector Debt Repayment (in plain English a surplus) of £7.1bn in 1989-90 to one of £6.9bn in 1991.

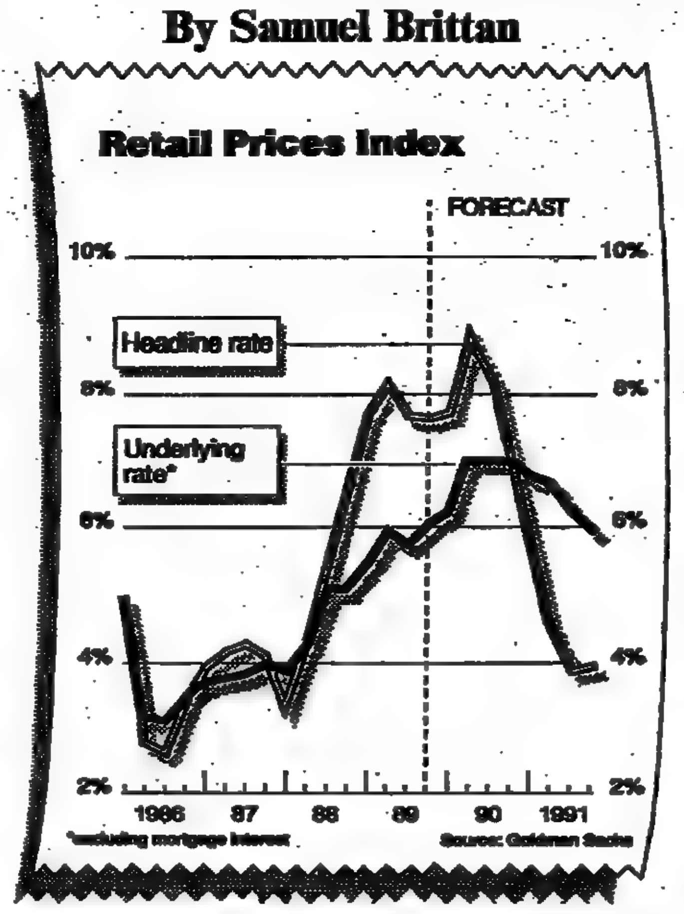
But on closer analysis the neutrality looks more like a loosening. The numbers compare with originally projected

The big gamble is where the Chancellor has followed the analysts

surpluses of £14bn and £10bn respectively for these two years. Moreover, some £5bn of the 1989-90 shortfall reflects an overrun in local authority spending, an unexpectedly large takeup of personal pensions and lower privatisation receipts. Most of these factors will, according to the Red Book, go at least partially into reverse in 1990-91. Yet the surplus is not expected to recover.

I agree with the Red Book authors who say that tax rates should be set on the basis of medium- to long-term considerations. But let us not pretend that a cyclically justified minor relaxation amounts to a tough Budget. It does not.

The big gamble in the Budget is one where the Chancellor has followed the analysts.



He has increased the Excise duties by slightly more than inflation. This will be superimposed on the self-inflicted wound of the 1 per cent rise due to the poll tax. As a result the peak spring headline increase in the RPI is likely to exceed 9 per cent.

This will be bad for inflationary expectations, and for wage pressure. But a much worse effect will be to add to the Chancellor's political difficulties if he has to raise base rates. Last October's increase to 15 per cent aroused enough of a Poujadiste howl among the Tory tabloids.

Looking further ahead, there are, however, genuine fiscal worries which one does not have to be a teenage scribbler to share. If privatisation receipts are excluded, the public sector is projected to slip into a £2bn deficit in 1991-92, and into a £5bn deficit in subsequent years.

Moreover, this is to take the Red Book at face value. One knows that there have already been high-level ministerial talks on much more money for local authorities to offset the effects of the ridiculous poll tax. Numerous other public sector bidders are queueing up for more and the political climate does not encourage too much resistance.

City economists who have worried about how the Government should dispose of a long-term surplus, and whether there were any undesirable backwash effects from redeeming gilts securities, can sleep more soundly in their beds. There ain't no surplus from the next election.

The warnings over fiscal policy are still only amber. What was basically wrong on Tuesday, not with the Budget – which is an overrated British anachronism – but with the Budget Speech and accompanying Financial Statement, was the continuing lack of any policy towards sterling.

Nor was there any clear monetary objective for those who prefer the rock-strewn parochial route to low inflation. The only response to the failure to attain the Government's chosen target for M0 (notes and coin) was to raise the target range for 1990-91 by 1 per cent to 1.5 per cent and explain that even this will not be achieved for many months.

It is ironical that the very same self-appointed members of the Thatcherite Praetorian Guard who are most against a sterling policy or joining the EMS are also the most critical of reliance on interest rates to curb inflation.

For the main prospect of reducing the 7 per cent interest rate differential between, say, Germany and Britain would be to have a firm, non-depreciation policy for the pound, preferably based on the EMS anchor.

Of the five conditions laid down in Madrid for full EMS membership, the four which involve other countries have been practically fulfilled. The remaining one, significantly lower inflation, involves the UK. When it was first enunciated last summer by Nigel Lawson as part of the short-lived deal with Mrs Thatcher, it looked as if the headline inflation rate would peak at the then prevailing rate of about 8.3 per cent (which, indeed, it would have done without Mrs Thatcher's poll tax and Mr Major's Excise duty increase).

To insist further on the lower inflation condition is to risk falling into a vicious spiral whereby inflation begets depreciation, which begets further inflation so the time never looks "ripe" for membership.

To get out of this spiral, a shock to expectations is required. This shock can take the form either of a 1980 type recession – which the Red Book shows the Government is desperately anxious to avoid – or tying sterling to the EMS anchor. The latter needs to be done soon, and frankly as a quasi-emergency measure.

A commitment to join the EMS before the election could help sterling in three different stages. Firstly, the mere announcement of entry within a definite period would affect market expectations and modify the present prospect of indefinite medium-term depreciation. Base rates would then become more effective in supporting sterling.

Secondly, if the UK joined with the wide 6 per cent margin that the Italians originally enjoyed, and the Spanish still do, and near the top of the range, UK interest rates could still remain higher than Continental ones, but a horrendous gap would no longer be required to limit sterling's depreciation.

Thirdly, when the UK moved to the normal 2¼ per cent margin the interest rate gap would narrow further – but not close – and a firm exchange rate would become the main anti-inflationary prop.

There are several dangers in waiting for a Labour Government to take Britain into the EMS after the next election. Labour still may not win; and a re-elected Mrs. Thatcher would be in a strengthened position to find fresh excuses for postponement.

Labour is likely to join at too

Early announcement of EMS entry is needed to support sterling

low a rate, which will postpone the counterinflationary benefits and risks discrediting the idea. This is especially probable if the Thatcher Government continues with its present policy of not so benign neglect of the pound.

Finally, Labour may instead of using the EMS as a counter-inflationary anchor – as the French Socialists have done since 1983 – try to employ it as a downward crawling peg to maintain a so-called competitive pound. This would be an unholy compromise between the pro-Europeans and the competitive pound school among Labour advisers. It is a prospect that the the present Government could prevent if – to use an awful cant phrase – it really "cared."

BOOK REVIEW

Reaganomics revisited

THE GROWTH EXPERIMENT
By Lawrence B Lindsey
Basic Books, 260 pages, $21.95

MACROECONOMIC fine-tuning is dead; long live microeconomic fine-tuning. That, roughly, is the message of this lucid analysis of US tax policy. Lindsey, an economics professor at Harvard (currently working for the Bush administration), is a passionate advocate of low tax rates. But he also believes government should manipulate the tax system to promote "good" causes – such as saving, working mothers and the voluntary sector.

Lindsey aims to do three things: defend President Reagan's economic record; provide a philosophical rationale for supply-side economics; and set out a "pro growth" fiscal strategy for the 1990s. He is not completely successful in any of these ventures. But his jargon-free and entertaining book deserves a wide readership.

As a former member of Reagan's council of economic advisers, Lindsey is anxious to prove that the tax cuts of the early 1980s did not cause the Federal Government's plunge into structural deficit. He candidly concedes that supply-siders had excessive expectations – the tax cuts did not prove "self-financing." But he argues that the shortfall was far less serious than critics have suggested. His guesstimates of what would have happened without the tax cuts are ingenious. But as they show that Keynesian effects (increased demand leading to higher tax receipts) were at least as important as supply-side effects in restricting revenue loss, they will hardly disconcert his opponents.

Between 1980 and 1987, says Lindsey, tax cuts accounted for only 21 per cent of the cumulative increase in the budget deficit. The rest of the red ink reflected higher spending. Fair enough. But again the revelation is hardly embarrassing for Reagan's critics. The culprit was defence spending, which rose an astonishing 55 per cent in real terms (increases in other programmes accounted for only 18 per cent of the deficit). A defence build-up of this scale clearly should have been financed by higher taxes. Had Reagan acted responsibly and, like Japan and West Germany, accepted the importance of macroeconomic stability, the US's economic prospects would be far brighter today.

Lindsey appears on stronger ground when he defends the cut in top tax rates during the 1980s. He claims that detailed computer analysis of individual taxpayer behaviour (which was not practical in earlier decades) has shown that tax rates above 40-50 per cent are counter-productive: revenue does not rise because people rearrange their affairs, declare less income and take more leisure. Supply-siders regard this as a discovery on a par with Einstein's theory of relativity.

Surely, however, many economists were always aware of the disincentive effects of higher rates of taxation. Ronald Reagan was not the first supply-side president. In 1963, John F Kennedy proposed sizeable tax cuts – including a reduction in the top rate from 91 per cent to 70 per cent – not merely as a boost to demand, but also to "encourage the initiative and risk-taking on which our free system depends." The difference between Kennedy's tax cuts and Reagan's is that the former recognised the importance of both supply and demand effects. Perhaps that is because the young president was advised by Keynesians rather than conservative ideologues.

Although the book is intended as an attack on Keynesian orthodoxy, many left-of-centre economists will find his approach to tax reform rather appealing. In the 1980s, tax reformers gathered under the banner of "fiscal neutrality:" the prevailing philosophy was that the tax system should interfere as little as possible with individual or business decisions and politicians were urged to respect the efficiency of market forces.

Lindsey roundly rejects this austere view. As taxes do strongly influence behaviour, governments should recognise that the "crafting of incentives for individuals" is the key to successful economic management. He unashamedly favours "fine-tuning" of the tax code to promote economic efficiency and social causes. Economists have always fallen into two camps – those who think governments should intervene in the economy and those who do not. Good supply-siders, it appears, now naturally fall into the interventionist camp.

One can only admire the strength of Lindsey's interventionist instincts. For example, in discussing the voluntary sector, he asks: "What do I mean by generous treatment?" Automatic tax deductibility for all charitable contributions simply "does not make the grade." No, in order to encourage budding Rockefellers and Carnegies, Lindsey proposes a *double* tax deduction for anybody who gives at least 5 per cent of income to charity. He also backs far more generous incentives for retirement saving than Reagan dared propose, not to mention around $4bn in additional tax subsidies for child care.

My guess is that Lindsey will strike a chord. Fiscal neutrality is about as appealing as chastity. In the 1990s, the tax barnacles swept away in the 1980s will start reappearing. Governments will relish using the tax code as a flexible tool for moulding individual behaviour and aspirations.

OBSERVER

Comments on Major

■ There was some discussion in this office on Budget night about what The Sun's headline would be the next morning. Observer inclined to the view that it would find Chancellor Major's statement so micro, that it would choose something entirely different for its main story.

We were nearly right. The Sun's top story, with a sidebar Budget '90, was headed "All Alone Anne Gets £14,000 Pay Rise", a reference to what it called a "bumper" increase for the Royal Princess, the woman "without a man about the house".

The Sun is the paper which some British academics – believe it or not – claim can sway the outcome of the next general election. Editorially, it is still sitting on the fence. Its leading article said: "John Major gave a solid, quietly confident performance yesterday. He made a good start.

"We LIKED the guy's style.

"We LIKED some of his message.

"But he can do even better."

In leader-writing style, The Sun sometimes seems to have a sister paper in the Wall Street Journal. The Journal did not get round to giving its views on the British Budget yesterday.

There was a brief reference to it on the front page. Inside there was a story headed: "Major's UK Budget Holds to Current Course; Economy is Expected to Improve Next Year." And on the European Stocks page there was a story under the headline: "London Shares gain 21.7 Points to 2259.7 As 1991 Budget Prompts Little Reaction." There was also a story about gilts.

Still, the Journal did better than the Frankfurter Allgemeine which, with the emergence of the new Germany and the growing fashionableness of the German language, ought to be something of a European newspaper. The edition that arrived on my desk carried no mention of the British Budget whatsoever.

Perhaps it was a really boring Budget after all.

Derby money

■ Ever Ready's sponsorship of the Derby seems to be paying mutual dividends. Battery sales are booming in the UK – 435m were sold last year, creating a market worth £270m, and Ever Ready, the Hanson subsidiary, claimed a half share of it.

It was announced yesterday that the Derby, in its turn, will be worth a total purse this year of £600,000. Providing sterling holds up, that makes it a $1m race for the first time. The winning owner will take £355,000.

Although none of them is highly favoured, seven of the entrants come from Hanson's Sir Gordon White. Some people are more interested in whether he will renew the sponsorship when the eight-year contract runs out next year.

Secret code

■ The Ministry of Defence has come up with a new acronym: D^2E^2. It stands for Dramatic Developments in Eastern Europe.

Never ripe

■ One of the more irritating aspects of the debate about full British membership of the European Monetary System is that some day we shall just go in with the exchange rate as it happens to be on the night or weekend before. In other words, we decide to join and enter, just like that.

That seems to me almost as naive as the belief that one day the time for joining the Exchange Rate Mechanism

will be self-evidently ripe or right. It was probably ripe enough some years ago, but not everybody acknowledged it. The timing will never be ideal, not least because it affects other countries as well as Britain.

The main point is that we cannot and should not go in without a negotiation. That negotiation would include an agreed exchange rate at entry, possibly embracing a quite steep sterling devaluation.

Yet because Britain has seldom taken a constructive lead in European Community negotiations, it does not occur to the Government to take the initiative. I do not believe stories that Chancellor Major now has a free hand to take Britain in when he thinks the moment has come. He may think he has, but that is another matter.

Foggitt's winter

■ Bill Foggitt, the Thirsk weather sage, was celebrating the first day of spring yesterday in the belief that we have just had the mildest winter this century.

He has not yet completed his sums, but thinks that this winter will beat the previous record-holder, 1961, which was 4.4 deg F above average. In spite of the mild spell he is warning of more rain. "This year still needs plenty more rainfall to balance out the unusually dry 1989," he said.

Thirsk was experiencing the usual equinoctial gales, which hampered Foggitt on his way to the Three Tuns, his local pub. "At least there was somebody to open the door for me. At my age I may stumble in. I suppose I'm more likely to stumble out," he said.

The chief budget complaint at the Three Tuns was the 2p on a pint of beer. No-one was worried about spirits. Foggitt is not a whisky drinker.

The wind was westerly yesterday, which, according to weather lore, means it will stay that way, and quite blustery, for the next three months. Foggitt says that we have just experienced a "blackthorn winter" because the blackthorn has been out for a prolonged spell. The blackthorn is still flowering and, according to Foggitt, the weather will not settle until the last flower has died.

Holly trees provide another useful indicator. At present they have flowers and berries together demonstrating the mildness of the weather. He has picked sprigs of holly and blackthorn to take with him to Edinburgh for a television appearance. "They make good props," he said. "Only the last time I took some blackthorn on a train a young lady sat on it."

Another one

■ A man goes into a pub and orders a pint of best bitter. He reaches into his pocket, pulls out a small newt, places it on the bar and says: "And a scotch for my friend Tiny." The barman fetches the drinks, pauses, and says: "Tell me sir, why do you call him Tiny?" The man replies: "Because he's my newt."

Soviet banker with revolutionary ideas

As Mikhail Gorbachev prepares to unveil radical economic reforms, Victor Geraschenko talks to Martin Wolf

"THE SOVIET people wants a central bank that will sometimes say 'nyet' to the Government." In words that would be music to the ears of Dr Karl Otto Pöhl, President of the Bundesbank, Mr Victor Geraschenko – appointed Chairman of the State Bank of the USSR (the Soviet Union's central bank) only last August – announces his desire to see a transformation of the historic relationship between the Government and the monetary system.

Mr Geraschenko is a former Director of the Moscow Narodny Bank, in London. From his international experience, Mr Geraschenko has imbibed ideas that seem revolutionary in Westminster and Whitehall, let alone the Kremlin. Certainly, his bluntness is remarkable. He asserts, for example, that "the decision to put the price reform under the table is unforgiveable." Similarly, he points out that "the internal price system is such that we cannot work out a realistic rate of exchange for the rouble.

"Our proposals for changes in interest rates cannot work without the price reform. How can a bank give loans if the enterprise is not making any profit?" Mr Geraschenko asks. Nowadays, he notes, enterprises only pay interest at about 2 per cent, "which is why enterprises have a huge stock of materials which they can then use for barter purposes." The State Bank proposes, instead, interest rates of 6 per cent on short term credit (of up to a year) rising to 9 per cent for credit of more than three years.

These proposals are already heavily criticised, so "maybe we will introduce the reform in stages. But for industrial units we will be able to introduce the new interest rate structure in the second half of this year. I hope that we will then be squeezing enterprises, who will then sell part of the idle stock they have accumulated. We must make these changes, despite all the problems. I do not think we will be able to work out a proper price system if we are costing finance to enterprises at 1-2 per cent."

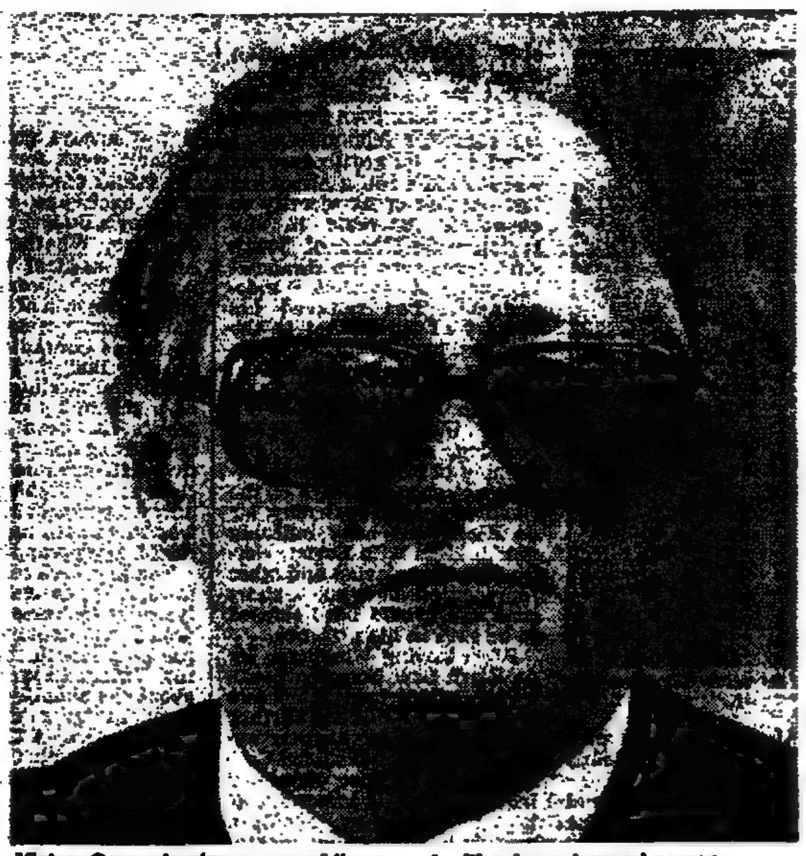
The Soviet Union is likely to go through a period of inflation that will be difficult to control

None the less, "the banking system in the classical Western form is unable to work here. For a long time the banking system was little more than a settlement house." Even with price and interest rate reforms, he argues, "I do not think we will be able to follow an ideal banking system, in which the bank manager will be able to say 'no' to enterprises. The previous centralisation under the pretext of 'rational' development means that many enterprises are monopolies. They are virtual dictators." Accordingly, "we will have both administrative methods and bargaining between enterprises and the Government for a comparatively long period of time."

Just as there has been no real economic reform, Mr Geraschenko confirms that "we did not achieve any significant positive results with the restructuring in banking. Before this, the system was simple. The State Bank of the USSR was not only the central bank, but also the institution for short term credit in all areas. But while decentralising our economy and industry, we had the idea that we needed to form a central bank that would not be involved in day-to-day banking business, alongside new specialised banks. Nowadays, enterprises can choose their bank. This led to some kind of competition, but not a real competition in my opinion; it is artificial competition."

The current chaotic economic situation of the Soviet Union, Mr Geraschenko ascribes to "the changes introduced in 1987, under the belief that if enterprises were free to choose what to produce and how to satisfy market demand, everything would work perfectly." In consequence, control over wages was lost. Thus, "in 1989 payments from the wage funds rose by 10.9 per cent, while industrial output increased by only 1.7 per cent." The popular name for such behaviour, he notes, is "group egoism."

"Unfortunately, the tax [on wage increases] that was introduced in the autumn session of the Supreme Soviet will not work, because there are too many exceptions." Mr Geraschenko also argues that "we cannot use known methods of deflation, especially when we remember the bulk of investment is financed through the budget." Furthermore, deflation could be profoundly destructive when prices are so distorted.



Victor Geraschenko: aware of the opportunities for enhanced power for the State Bank within a radically reformed economic system

"There has been a lot of discussion in the press and the Party Plenum of the necessity or desirability of monetary reform. In my opinion monetary reform will not solve the problem." Mr Geraschenko notes that three-quarters of the liquidity in the hands of the public is in Savings Bank accounts. Only 2.9m of these accounts have more than Rbl 10,000 (a little over £1,000 at the official exchange rate) and these larger accounts possess only just over 10 per cent of the deposits in the Savings Bank. Thus, monetary reform will affect the bulk of ordinary savers.

"Some people in trade unions say that a money reform would take money from the grey economy, but I do not think it would achieve this. The wealth of people engaged in the grey economy is in durable goods, such as *objets d'art* and houses."

Not that Mr Geraschenko is any more enamoured of the Ministry of Finance's proposals for financing the planned fiscal deficit of Rbl 60bn in 1990. The Ministry of Finance is planning to issue Treasury Obligations in 1990 up to this amount. It proposes that the interest rate should be 5 per cent and plans to start repayment in 1996.

"Personally, I am not sure that this type of issue will work. I think the interest rate needs to be higher and the maturity shorter." But Mr Geraschenko is confident that enterprises, which have roughly Rbl 120bn with the banking system, will buy these securities, because at the moment they are getting just half a per cent on their liquid funds (while individuals are receiving between 2 and 3 per cent in the Savings Bank).

Mr Geraschenko is also critical of the bonds that will guarantee their purchaser a car in 1992, pointing out that this will simply diminish trade turnover in 1992, when the cars are to be made available.

The Chairman's favoured method of soaking up excess liquidity – estimated by the State Bank at Rbl 130bn, which is below the Rbl 165bn estimate of the State Committee on Statistics – is the sale of housing. He is less enamoured of the sale of equity in enterprises, to which his objection is not so much ideological, but rather that there is not enough private liquid wealth to make the purchases at what he would regard as a reasonable price.

"Since 1956 we have invested more than Rbl 500bn in housing. Rents must be raised as part of the price reform, since we are still charging rents established in 1927, which do not even cover maintenance costs. Of course we need to correct salaries, too. Then the banks should buy the housing from government and resell it to to the public. A housing market will also motivate people to work."

The question of rents recalls the political objections to price reform. "Why is price reform difficult?" asks Mr Geraschenko. "We think the flats we get from enterprises or councils are free. But they are not free. We have now lost two years. The reason was the huge change in the electoral set up and the fear of popular criticism. But so what? Economic reform will not work without price reform. The later price reform starts, the more time we will lose."

Turning to Soviet external economic relations, Mr Geraschenko remarks that "here we have the debris of many unsolved economic problems. First of all the exchange rate is unrealistic. We have more than 2,000 different exchange co-efficients.

"Of course, many people in the Soviet Union say we need to make the rouble convertible tomorrow, that this will solve all our problems. But I think this is ridiculous. Who will earn the dollars?

"When we decentralised foreign trade in 1987, a big interest was created among enterprises in finding things to sell to earn hard currency. But this change has had many negative features, too. Enterprises are competing with one another abroad when they are not meeting the demand of the local market; they are selling raw materials or goods that they have in their warehouses because of cheap credit from the banking system, while other enterprises are buying the same type of materials and semi-finished products.

"We need to monitor the whole situation, which is why the Bank for Foreign Economic Relations has a monopoly right to license accounts abroad or borrowing abroad. The Council of Ministers is well aware of the situation. We need to be careful and to be sure that we can repay.

"We also need to take into consideration that two-thirds of our trade is with the Comecon area." Here, Mr Geraschenko notes, the Soviet Union will want to move to world prices and hard currency settlement, but its partners will need a period of adjustment. "We cannot have a 180 per cent turnaround immediately."

Clearly, Mr Geraschenko is aware of the opportunities for enhanced power for the State Bank within a radically reformed economic system. Already, he talks like an exceptionally blunt member of the fraternity of central bankers, mixing scepticism about particularly radical proposals with belief in normal economics.

Most immediately relevant, perhaps, is his warning that the Soviet Union "is likely to go through a period of inflation that will be difficult to control." Mr Gorbachev and his advisers are now hard at work preparing a radical economic reform package, which is expected to be finalised in early May. Will Mr Geraschenko's hopes for an independent central bank and the economic reform itself survive the reaction?

LOMBARD

Rare success for newest nation

By Michael Holman

EVERYONE deserves a pat on the back as Africa's last colony celebrates independence under a constitution that should serve as a model for the continent, be it South Africa or Zambia. Whether African leaders, western governments, and aid organisations will put into practice the lessons to be drawn from Namibia's introduction to democracy remains to be seen.

President Sam Nujoma, Namibia's first president, has been as magnanimous in victory after nearly three decades of guerrilla war, as President F.W. de Klerk was gracious in his speech formally ceding South Africa's control.

The 7,500 strong United Nations monitoring force wins praise for successfully overcoming a near-disastrous start to the transition to independence which began last April, when guerrillas of Mr Nujoma's South West Africa People's Organisation broke the cease-fire terms.

Cuba is extricating itself from the region with honour satisfied.

Above all, the superpowers can treat the outcome as one of the benefits of their rapprochement, for Washington and Moscow played key roles in negotiations for Namibia's independence which had been deadlocked for a decade.

It is a rare African success story, matching the Lancaster House negotiations in 1979 which brought Rhodesia – now Zimbabwe – to independence the following year. It helps point the way to a post-apartheid South Africa, and offers hope for the resolution of other seeming intractable conflicts in the region: in Angola, and in Mozambique. But much depends on whether the lessons of Namibia are implemented.

The first step must be taken by the region's African leaders. The principles incorporated in Namibia's constitution – a multi-party system, a justiciable bill of rights, a free press, a time limit on presidential tenure (two five-year terms in Namibia's case) – should be adopted by the factions in Angola and Mozambique.

As for the constitutions of other states in southern Africa, only that of Botswana meets the Namibian yardstick. There is no evidence, however, that the leaders of Zambia and Zimbabwe, for example, are having second thoughts.

President Kaunda recently offered a bizarre defence of his one-party system: "We can safely say both economically and politically, perestroika and glasnost are moving those for whom this is new thinking to the very position where we in Zambia already stand today," he told his party congress.

Nor does President Robert Mugabe offer much hope to those who regret the country's move to a one party state, de facto if not de jure, and a muzzled press. The prospect of an alliance in this month's general election between members of the white electorate and Mr Edgar Tekere's Zimbabwe Unity Movement has infuriated the president. "If the whites in Zimbabwe want to rear their ugly terrorist and racist head by collaborating with ZUM, we will chop that head off," he said last week.

Although the initiative for change must come from within African states, Western donors and governments could encourage the process. So far they have not. The warning last November by the World Bank that economic recovery and what it called "good governance" in Africa had to go hand in hand, accompanied by an implicit call for the linking of aid to the establishment of representative government, seems to have gone unheeded.

Western governments and non-government organisations alike continue to treat authoritarian African regimes (with some exceptions, such as Sudan and Somalia) with a deference and diffidence that smacks of double standards when set against their stance on eastern Europe.

A change could begin with Namibia, for the country's own sake and because its success or failure could have far-reaching implications for South Africa. Make clear to Africa's youngest independent state that post-independence assistance is linked to upholding its model constitution. And serve notice on the continent's dictators that their time is running out.

LETTERS

Finding a better way than the poll tax

From Professor F.J. Jones.

Sir, The most satisfactory local tax would be one which does not discourage industry while being sufficiently onerous to remind the citizen of his civic responsibilities. Otherwise local authorities will inevitably become profligate.

The rates were condemned partly because they were paid only by a third of the population and partly because they amounted to a regressive tax discouraging improvements while rewarding dilapidation. Even by welfare standards they proved unjust, because pensioners and widows paid as much as families with two or more wage-earners.

Poll tax at least ensures that all adults face up to their public responsibilities and it should in time produce a backlash to curb town-hall profligacy. Any safety net for the poor should be financed by central government and local authorities should be debarred from dabbling in extra welfare.

The Labour Party's so-called roof tax reverts to the former rating-system while simultaneously reintroducing a second tier of welfare through a progressive local income tax. Such a scheme would not only discourage initiative but would also remove all sanctions against municipal profligacy.

The most satisfactory local tax system is the one advocated by the former Liberals. It was called site-value rating and its aim was to derate buildings while levying a tax based on the annual economic rent of land.

It has all the virtues and none of the vices of the rating system. It is self-limiting because it is based on economic rents, not on the arbitrarily calculated rents of the earlier system. It is impossible to avoid and it encourages initiative because it is intended to fall with equal severity on developed and undeveloped land, thereby forcing unused land on to the market.

A subsidiary effect is to alleviate unemployment, especially in the building trade, by removing a major bottle-neck to local development – the chronic shortage of land.

Its one defect is that only landowners are rated, but since land values are created by the community and not by individuals it is not unjust that land rents should form the basis of local taxation.

Frederic J. Jones,
Department of Italian Studies,
University College, Cardiff

Pressures on the ECGD

From Mr Campbell Dunford.

Sir, Members of my committee, including representatives of industry, commerce and banking, welcomed the Trade and Industry Secretary's announcement last December of the retention of government department status for the Project Group of the Export Credits Guarantee Department. This signalled the Government's continued support for UK export promotion and a commitment to reducing the balance of payments deficit.

The Project Group's ability to offer exporters a service which is comparable in terms of cost and quality to that offered to our competitors by other national credit insurers is essential to the success of UK exporting. The exporter needs to be able to secure credit insurance cover from the ECGD at competitive rates. In addition, the level of that cover must be sufficient to enable the exporter to obtain associated financing from banks at competitive rates.

Members of my committee are now concerned at indications that the Project Group's ability to fulfil its function is being undermined by excessive pressures to fulfil commercial criteria which are not always appropriate to its operations.

We also note that the Bank of England's new policy on country debt provisioning (the matrix) will affect the banks' ability to support ECGD facilities with commercial loans and place them at a competitive disadvantage with foreign banks not constrained by the matrix. For the exporter, these developments could combine to create prohibitively expensive ECGD cover.

To win project contracts, UK exporters need government support. Such contracts are crucial at a time when we are running the worst balance of payments deficit on record.

Campbell Dunford,
Chairman,
Export Finance Committee,
London Chamber of Commerce,
69 Cannon Street, EC4

Water: pay now drink later

From Mr Douglas Mann.

Sir, My water rate is payable in advance, of course. This may have been suitable for such undertakings in the past, but now that water has been privatised am I required to pay in advance for water that I might consume? Could the same principle not be applied to gas and electricity?

Douglas Mann,
20 South Road,
Hythe, Kent

A consultation, not a collision, course for the Community's rules

From Mr Nico Wegter.

Sir, In his article ("Community rules on a collision course," February 28) Professor Messerlin deals with the supposedly potent effects of anti-dumping measures on the tendency of firms to form cartels and mergers which limit competition.

With the exception of PVC and LDPE, no anti-dumping cases overlapped with any of the approximately 250 competition law decisions taken between 1980 and 1988. The "almost one fourth" of "twin" anti-cartel and anti-dumping cases cited by Professor Messerlin clearly derive from his personal arithmetic. This also served to credit European Community producers of PVC/LDPE with profits purportedly created by anti-dumping proceedings. The texts of the regulations show that proceedings were terminated by the acceptance of undertakings from the affected exporters – all from eastern bloc countries – and not by the imposition of definitive anti-dumping duties.

To speak of annual additional corporate revenues of Ecu 884m due to the anti-dumping measures is quite wrong.

Professor Messerlin suggests provocatively that foreign exporters controlled by Community companies benefit from immunity in anti-dumping proceedings. He cites one out of well over 300 such proceedings where synthetic fibres from the US were involved and where two US producers which had been taken over by Community producers were exempted from the imposition of anti-dumping duties on the grounds that they manufactured speciality products. But all seven US producers in this proceeding were exempted for the same reasons.

The existence of potential overlapping between Community anti-dumping and competition rules is well known to all specialist practitioners and to the European Commission. It is obvious that consultation between the responsible services of the Commission takes place whenever doubts concerning the application of competition law in the Community's internal market arise in connection with anti-dumping proceedings.

However, a distinction has to be drawn. In anti-dumping investigations only the established factual situation in the market is normally relevant to the decision made, while even a proven attempt to set up an illegitimate form of market organisation by means of existing cartels or collusive behaviour may have consequences in competition law.

Nico Wegter,
External Relations Spokesman,
The European Commission,
Brussels

From Mr Izzet M. Sinan.

Sir, I support Professor Messerlin and Jeremy Lever ("Community rules," February 28 and Letters, March 5). Experience has shown that the European Commission's left hand sometimes does not know what its right is doing, and even when it does, it is powerless to take the appropriate measures.

It is not uncommon to see the Directorate-General for Competition (DG IV) pursuing certain sectors of EC industry for anti-competitive behaviour, while the Directorate-General for External Relations (DG I) assists such restrictive practices by preventing competition from third countries through the use of the EC's anti-dumping rules.

Although the two Directorates-General should in theory co-ordinate their activities, in many instances one gets the impression that communication is less than perfect.

Izzet M. Sinan,
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FINANCIAL TIMES
Thursday March 22 1990

Namibia finally lowers South African flag

Nicholas Woodsworth attends the midnight independence party in Windhoek

"A NEW STAR has risen on the African continent. Africa's last colony is, from this hour, liberated."

The hour was, in fact, 20 minutes gone by the time an independent Namibia's colourful new flag was hoisted and President Sam Nujoma pronounced his historic words. The delay in the midnight celebrations in Windhoek on the morning of March 21, however, did little to dampen the spirits of jubilant Namibians.

What did dampen them was the heaviest rain this semi-desert country has seen for years. When high-level delegations from more than 50 countries began arriving the previous morning, there was hardly a cloud to be seen in Namibia's blue skies. But by midday, heavy storm clouds had gathered and by five o'clock that afternoon thousands of Windhoek citizens who had flocked to the city's independence stadium were sopping wet.

The crowd cared little – they had been waiting for this night for decades. Many in the stadium were dressed in imaginative combinations of red, green and blue, the colours of the South West Africa People's Organisation (Swapo); after 24 years of bitter struggle against South African military forces in Namibia, Swapo supporters found little discomfort in the rain their country needs almost as badly as peace and stability.

By the time thousands of visiting dignitaries arrived to take their place in the stadium's VIP section, the rain had died away. Not all of them, however, found places to sit. While the very costly celebrations – half of which were paid for by a departing South Africa – were relatively well organised, some details were overlooked.

Certainly the beefy, jack-booted Johannesburg traffic police who had come to oversee parking and security at the stadium were effective deterrents to rowdy behaviour. But Namibia's newly-formed protocol staff had little experience of handling the aggressive film crews and photographers who swarmed in front of the podium. Determined to capture on film the celebration's leading lights – Mr Javier Perez de Cuellar, Mr FW de Klerk and Mr Sam Nujoma – they totally ignored kid-glove appeals to kindly stay off the red carpet.

Bad manners and inadequate seating – not even Mr Nelson Mandela, a late arrival, could find a place – were forgotten when the evening's highlight arrived. If the crowd's cheers were anything to go by, this was not the raising of the new flag, the swearing in of Mr Nujoma, or the fireworks display which followed. It was, instead, the lowering of the South African flag by uniformed officers of the South African Defence Force.

The joyous shouts of "Down! Down!" were enough to wake up drowsing African dignitaries; enough to stop Mr Jesse Jackson from joking and backslapping with a visibly embarrassed Mr James Baker, US Secretary of State; they were even enough to stop a whiskery Mr Yassir Arafat from distributing bear-hugs to all and sundry. By the time the South African flag was down, the crowd's roar was enough to enliven the most tired and pensive looking-looking man there, Mr de Klerk.

But Mr de Klerk's fatigue may have been deceptive. His country's relinquishing of Namibia is no great cause for sorrow; while South Africa has lost nothing of its security or economic interests in the region – De Beers of South Africa remains the financial backbone of Namibia – independence has relieved his country of a war that in the past cost his government much popularity and about $400,000 a day.

South Africa has much to gain. While independence parades, speeches and the opening of Namibia's new parliament caught the eye of the Namibian public yesterday, Mr de Klerk was busy building new bridges with Soviet, Norwegian, Yugoslavian and other representatives who, a short time ago, would have refused to be seen in his presence.

After leaving Windhoek, Mr de Klerk flew home to South Africa, where today he meets Mr Baker to discuss further moves towards negotiation with the African National Congress. In one sense, Namibian independence, as important as it is to Namibians, is only a prelude to a future and greater experiment in black majority rule.

If the optimism that heralds the new Namibian state is followed by stable political and economic development there may be an even bigger celebration in the future.

Mandela rebukes Baker over visit to South Africa, Page 4; Survey, Pages 13-18; Lombard, Page 21

South African President F.W. de Klerk (right) congratulates Sam Nujoma minutes after he was sworn in as Namibia's first President

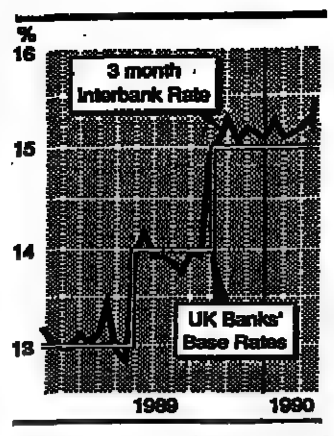
THE LEX COLUMN

A tricky week for sterling

It was always going to be a difficult week for sterling, so the initial reaction of the foreign exchange markets to Tuesday's Budget was no great surprise. Whether or not a broadly neutral budget will prove to have been the correct policy response at this stage of the economic cycle, the foreign exchange markets wanted a tougher Budget. They did not get it and sterling is suffering as a result. Its dismal performance has been accentuated by a strong dollar; but its effective exchange rate is perilously close to its all-time low and is now 6.6 per cent lower than it was when base rates were last raised to prop up the currency.

The knee-jerk reaction of the foreign exchange markets is typically perverse. The sharp drop in the exchange rate over the past month reflects growing international concerns about the stability of the Government and of the UK's economic problems. Consequently, a politically motivated Budget aimed at restoring morale in the Tory heartlands should be marginally encouraging for sterling, especially if today's Mid-Staffordshire by-election turns out not quite as big a rout as expected and the trade figures are not horrendous.

Admittedly, the foreign exchange markets are calculating that if Mr Major is really intent on appeasing the Government's nervous supporters, he is not going to risk yet another turn of the interest rate screw. But this is a dangerously simple assumption. The money markets are already signalling that the risks of 16 per cent base rates are considerably higher than a month ago. The Chancellor must be conscious that if he permits sterling to fall again by as much as it has in the last month, all his tough anti-inflationary talk is worthless.



James Capel

The abrupt departure of James Capel's chairman looks like a further symptom of the cyclical pressures producing boardroom change throughout UK industry in general and the UK securities business in particular. More specifically, it raises questions about the HongKong Bank's commitment to global securities and Capel's future as a stand-alone agency broker.

It would be unsurprising if, as is rumoured, Capel's parent is seeking cost savings on a persistently unsatisfactory investment. The paradox is that Capel's position as one of London's top three brokers rests on its comprehensive research coverage. Rivals such as Warburg or BZW might match it on breadth; but their efforts are funded through market making, mergers and acquisition work and fund management.

If the full-scale independent research house were to prove too costly for the London market, so much the worse. The institutions, certainly, would have no grounds for complaint about biased research in future. But it may be that investment research, though in quality terms as scarce as ever, has now dwindled to commodity status. If so, the integrated investment house, unsatisfactory though it may be from the client's viewpoint, has won after all.

Futures & options

London's futures and options markets have repeatedly struggled to build up liquidity, but the Budget tax changes could at last provide the impetus needed for take-off. The changes follow on from Monday's DTI paper encouraging the establishment of specialist futures and options funds to attract the private investor. If institutional and private interest can be simultaneously stimulated, the virtuous circle of greater liquidity and lower spreads could be quickly established.

Some are predicting a doubling in derivative turnover within the year, with the cross-over point – when cash market turnover is exceeded – in the mid-1990s. A new range of synthetic securities, using option strategies to replicate stock positions, is likely to be devised by eager brokers. And if institutions can see off trustees' lingering objections to derivatives, there should be a sharp increase in portfolio hedging. A few funds may seize the chance to compete with market makers at index arbitrage once stamp duty is abolished. That development will hardly delight the regulators.

Private clients have already had the chance to invest in so-called low exposure funds, which invest a large proportion of initial capital in fixed interest securities and use the remainder to play the markets. Such funds can now be brought on-shore. But the new high exposure funds will provide the more adventurous side with the perfect alternative to the Grand National. Tight regulation to avoid a repeat of Barlow Clowes will be essential.

BAT

The big figures in BAT's full year results – £2bn of pre-tax profits and a 49 per cent dividend increase – are an impressive last bulletin from a vanishing empire. But some of the detail is unsatisfactory in the old way: the mere 9 per cent profit increase from financial services excluding Farmers and the drop in profits from Wiggins Teape. Above all, earnings growth has averaged a mere 7 per cent in the past five years. But with the demergers worth perhaps 140p per share, the rest is on a multiple of 9.5 and a 6.5 per cent yield. Now that the Hoylake dust is settling, the management deserves credit for the way it has gone about increasing shareholder value.

UK banks

The high street banks should breathe a sigh of relief as they ponder the Budget. Apart from a rather toothless warning on indiscriminate credit mailshots and a slight tightening of the tax relief provisions, they have escaped unscathed. Indeed, it could be argued that in spite of past clashes with the Prime Minister on student loans, they have emerged as one of the chief beneficiaries of this Budget.

There is little evidence that tinkering with the tax system will do much to increase the total savings in the economy. It is much more likely to redistribute the savings flows between the various financial intermediaries. If the banks cannot capitalise on their position to capture a far bigger share of the savings flows following the proposed tax changes, they have only themselves to blame.

BRITISH BUDGET

Major makes peace with the banks

By David Lascelles in London

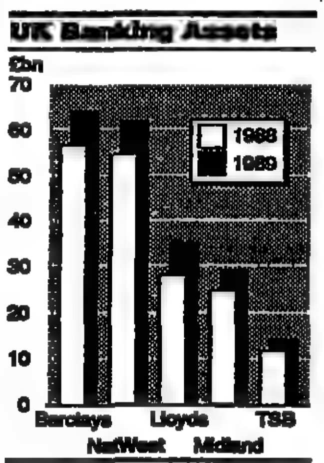
EVER since it became known that Mrs Margaret Thatcher, the British Prime Minister, was "fizzing with fury" over their refusal to back her scheme for student loans at the end of last year, the UK clearing banks had been awaiting Tuesday's budget with anxiety, if not dread.

Yet far from doling out vengeance, Mr John Major, the Chancellor of the Exchequer, seemed keen to make friendly gestures. Several of the banks' specific requests were granted, and the overall thrust of the "budget for savers" is bound to be to their advantage.

"The Government has chosen to do some sensible things," said Mr Roger Flemington, the chief executive in charge of UK Financial services at National Westminster Bank.

The budget removed two long-standing bank grievances. One was the composite rate tax – a kind of withholding tax on deposit interest – that aroused banks' fury when it was extended to include them in 1984. The other was the inability of banks to offer Save As You Earn schemes like the building societies, with whom they compete in the home loan and savings business.

Those changes will enable banks to compete more effectively for funds. The drawback is that they will still have to do some of the work for the tax collector by deducting tax on interest paid to taxpayers.



Banks have also welcomed the new Tax-Exempt Special Savings Accounts (Tessa) which Mr Major is introducing to stimulate personal savings.

The attraction is not just that such accounts should draw in new deposits. The fact that savers will have to leave money on deposit for five years to reap the full benefit will make the Tessa a source of very stable long-term money for banks. "Tessa is a very encouraging development," said Mr Charles Love, the chief executive for the TSB in Scotland. "We shall be seeing how we can take full advantage of it."

By strengthening the banks' competitive position in the deposit market, these changes should improve their access to cheaper forms of money.

Nevertheless, bankers said yesterday that it was too soon to judge how profound the effect would be. That would depend partly on applicable interest rates, and the paperwork the changes involved.

But although the budget measures should aid the flow of funds into banks, Mr Major paradoxically issued a simultaneous warning about the dangers of lending it out again too easily. He criticised the practice of soliciting loan business through mail shots, and urged banks to impose restraint in a new code of practice now being drawn up.

Bankers were indignant about the criticism, and denied that they lent irresponsibly. "We assume he must have been referring to someone else," said Mr Alan Budd, economic adviser for Barclays Bank.

None the less, bankers are highly sensitive to the sort of accusations implied in Mr Major's comment.

That bank lending in the UK rose sharply last year is undeniable. UK-based assets at Barclays rose 12 per cent, the lowest growth, and by as much as 28 per cent at the TSB.

When Barclays produced its 1989 results at the beginning of this month, Mr Andrew Buxton, managing director, went out of his way to say that more than half the customers at Barclaycard, the UK's largest plastic card operation, pay their accounts in full every month.

It is likely, however, that banks will take a lower profile in the loans-by-mail business for a while, if only to safeguard their new improvement in relations with the government.

One other respect in which banks had less reason to be pleased with the budget was over new proposals for granting relief on Third World debt provisions, which totalled more than £5bn ($8bn) last year.

Instead of granting relief on a discretionary basis, the Inland Revenue will adopt a formula that will limit increases to 5 per cent a year. That means that banks with large provisions, as have Lloyds and NatWest, will not get full relief for several years. Even so, they accepted yesterday that the new system had the virtue of introducing certainty into what had been a haphazard process.

If the budget overall did much to ease the strain in relations between the Government and the banking industry, however, the Government must have had its motives.

Those centre on the fact that banks will have to play a large part in the new drive to encourage more savings, and Mr Major needs them as allies rather than enemies.

Capel chief quits in row over firm's ownership

By Richard Waters in London

JAMES CAPEL, the UK's leading agency stockbroker, yesterday lost its chairman and chief executive, Mr Peter Quinnen, over a disagreement about the firm's ownership.

Mr Quinnen, an accountant who had been with Capel for 18 years, is understood to have fallen out with the broker's parent, Hongkong & Shanghai Banking Corporation, over the bank's decision to hold on to Capel rather than consider selling it.

Relations between Capel and the bank have been strained since the stock market crash of 1987, which pushed the broker into a losses totalling £46.2m ($74m) over two years. Capel edged into profit in 1989.

A further cause of friction is thought to have been the personal animosity between Mr Quinnen and Hongkong Bank's chairman, Mr Willie Purves, who are said by close colleagues not to have worked well together.

However, by far the most important factor was Hongkong Bank's decision not to sell Capel, despite attempts made first in the aftermath of the crash either to launch a management buy-out or find an alternative buyer. A number of potential bidders for Capel are thought to have come forward, including more than one from Japan, and a price tag in excess of £200m is believed to have been fixed to the firm.

Capel was thought at the time of Big Bang, when many of London's brokers were sold to banks and other institutions, to have been lucky in its parent. Hongkong Bank was known for its willingness to take a back seat, allowing its subsidiaries considerable operational autonomy, at a time when other brokers were suffering the culture shock of being merged into banking groups.

However, the relationship has been less happy more recently, leading to a desire on the part of Mr Quinnen at least to take Capel out of the group.

According to one Capel executive, the capital structure of the broker, which is financed largely by subordinated debt from the bank, results in cash leaving the firm to meet interest payments on the debt, and leaves little to be reinvested. This is thought to have added to resentment at Capel.

After Mr Quinnen's surprise resignation yesterday morning, Hongkong Bank announced that Mr Peter Wrangham, a main board director with responsibility for Europe, would become Capel's new non-executive chairman. At the same time, the two deputy chairmen – Mr David Dugdale and Mr James Ferguson – have been made joint chief executives.

Lex, this page

Brazil limits foreign debt service payments

By John Barham in Sao Paulo

THE Government of Mr Fernando Collor, Brazil's new President, has announced that the country's service payments on its $115bn foreign debt will be limited to a maximum $5bn this year.

Brazil was to have paid $10bn in interest and a further $5bn in repayments of principal last year. Interest payments were suspended in September to protect currency reserves, which bankers estimate at $7bn to $7.5bn.

Foreign bankers have complained that like many other aspects of the new Government's economic policy, its debt strategy remains shrouded in confusion.

Ms Zelia Cardoso de Mello, the Economy Minister, said in a television interview yesterday that the Government hopes to receive a "favourable opinion" by the beginning of April from the International Monetary Fund and the World Bank on the radical economic reforms introduced this week.

Brazilian officials will travel to Washington soon to explain the Government's policies. Talks with private banks, which hold about 60 per cent of Brazilian debt, would begin soon after, she said.

Professor Alvaro Zinni of the University of Sao Paulo said: "Since Collor has imposed a violent adjustment of the domestic debt, he can be expected to adopt a very aggressive posture in relation to the foreign debt."

The Government has not made it clear whether the $5bn cap would also include amortisations. It is not clear whether it would establish a priority list of creditors.

The domestic economy remains at a virtual standstill, suffocated by the lack of currency and confusion over implementation of the reforms. Companies in Sao Paulo's industrial belt have begun laying off staff. Indications of a possible sharp rise in unemployment prompted the President to threaten employers with financial sanctions.

Mr Collor also threatened to bombard companies with tax inspectors. Mr Romeu Tuma, head of the Federal Police and federal tax department and President Collor's chief troubleshooter, visited one Sao Paulo company planning to lay off staff and convinced directors to reverse their decision.

In financial markets, gold prices slipped only 0.8 per cent by midsession yesterday, compared with a 17 per cent decline the previous day. However, share prices on the Sao Paulo Stock Exchange continued to fall with the Exchange's Ibovespa index registering a 17 per cent fall at midsession to 10,762 points.

Venezuela debt accord, Argentine economy minister takes over central bank; Page 6

WORLD WEATHER

		°C	°F
Ajaccio	S	18	64
Algiers	S	20	68
Amsterdam	C	[illegible]	[illegible]
Athens	S	[illegible]	[illegible]
Bahrain	S	21	70
Bangkok	F	33	91
Barcelona	S	[illegible]	[illegible]
Beirut	–	–	–
Belfast	[illegible]	[illegible]	[illegible]
Belgrade	S	21	70
Berlin	C	15	59
Biarritz	S	[illegible]	[illegible]
Bombay	S	36	97
Bordeaux	S	22	72
Brussels	F	[illegible]	[illegible]
Budapest	S	20	68
B. Aires	F	26	79
Cairo	F	24	75
Cape Town	C	21	70
Caracas	C	[illegible]	[illegible]
Casablanca	S	[illegible]	73
Chicago	C	[illegible]	[illegible]
Cologne	C	14	57
Copenhagen	C	8	46
Corfu	S	[illegible]	[illegible]
Dallas	[illegible]	8	46
Dublin	C	[illegible]	[illegible]
Dubrovnik	S	[illegible]	[illegible]
Edinburgh	R	[illegible]	[illegible]
Faro	S	[illegible]	[illegible]
Florence	S	[illegible]	[illegible]
Frankfurt	C	15	59
Funchal	F	[illegible]	72
Geneva	S	[illegible]	[illegible]
Gibraltar	F	[illegible]	64
Glasgow	C	[illegible]	[illegible]
Guernsey	S	[illegible]	64
Helsinki	S	[illegible]	[illegible]
H. Kong	–	–	–
Innsbruck	F	[illegible]	64
Inverness	S	[illegible]	[illegible]
Islamabad	C	21	70
Istanbul	S	[illegible]	[illegible]
Jakarta	R	31	88
Jersey	F	[illegible]	[illegible]
Jo'burg	F	21	70
Lima	F	[illegible]	[illegible]
Lisbon	S	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]
Los Angeles	S	[illegible]	[illegible]
Luxembourg	C	13	55
Madrid	S	[illegible]	[illegible]
Majorca	S	[illegible]	[illegible]
Malaga	S	[illegible]	64
Malta	S	[illegible]	[illegible]
Manchester	S	14	57
Manila	C	31	88
Melbourne	C	[illegible]	64
Mexico City	C	[illegible]	[illegible]
Miami	F	[illegible]	[illegible]
Milan	S	[illegible]	[illegible]
Montreal	F	2	[illegible]
Moscow	F	4	[illegible]
Munich	S	[illegible]	[illegible]
Nairobi	–	–	–
Naples	S	20	68
Nassau	C	30	86
New Delhi	S	29	84
New York	C	[illegible]	[illegible]
Nice	S	[illegible]	61
Nicosia	S	21	70
Oporto	S	23	73
Oslo	C	7	45
Paris	F	17	63
Peking	–	–	–
Prague	F	[illegible]	[illegible]
Reykjavik	F	[illegible]	[illegible]
Rhodes	S	[illegible]	[illegible]
Rio de J'o	C	[illegible]	[illegible]
Rome	S	[illegible]	[illegible]
Salzburg	S	20	68
San Francisco	S	9	48
Seoul	S	17	63
Singapore	–	–	–
Stockholm	R	4	[illegible]
Strasbourg	S	22	72
Sydney	–	–	–
Taipei	F	[illegible]	[illegible]
Tangier	S	21	70
Tel Aviv	S	21	70
Tenerife	C	[illegible]	[illegible]
Tokyo	S	[illegible]	[illegible]
Toronto	S	-2	28
Tunis	F	[illegible]	[illegible]
Valencia	S	[illegible]	[illegible]
Venice	S	19	66
Vienna	S	[illegible]	[illegible]
Warsaw	C	[illegible]	[illegible]
Washington	S	[illegible]	[illegible]
Zurich	S	19	66

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Romanian emergency

Continued from Page 1

tion, the Romanian authorities backed down on the issue.

Their sense of grievance is fuelled by the Vatra Romaneasca which accuses the Hungarians of trying to separate Transylvania from Romania.

"It is a fascist organisation, a home for former Securitate and party members which is provoking the people," said Mr Marius Tabacu, a Romanian journalist who lives in Cluj.

Mr Lajos Kantor, a prominent ethnic Hungarian writer, said Vatra Romaneasca was "terrorising the people. There will be a second Nagorno-Karabakh here."

In an effort to industrialise Transylvania and weaken the centuries of identity and peaceful co-existence between Transylvanian Romanians and Hungarians, thousands of Orthodox Romanians from the Regat – from Moldavia and Wallachia – were uprooted and sent to the region.

They found little in common with the culture of Transylvania, once an oasis of toleration under which the Roman Catholic, Lutheran, Greek Uniate and ethnic communities lived.

FINANCIAL TIMES
COMPANIES & MARKETS
• THE FINANCIAL TIMES LIMITED 1990 Thursday March 22 1990

INSIDE

BP turns an eye to eastern opportunity

The 1990s herald a new look for British Petroleum, not least because of the arrival last week of Robert Horton (left) as chairman of the group. "The policy of consolidation which my predecessor put in train is more or less at an end," he said. Steven Butler reports on BP's plans for expansion, which include an investment of between $1bn and $2bn in the Far East by 1995. Page 34

Trading places

Martin Greenberg, the newly-elected chairman of the board at New York's Commodity Exchange, is in a hurry to get out of the job he started only last week. "If it were simple, I'd do it by Monday," he says while planning a merger of the Commodity Exchange with the New York Mercantile Exchange; and under an agreement reached earlier this year, a Mercantile person would be its chairman. Page 36

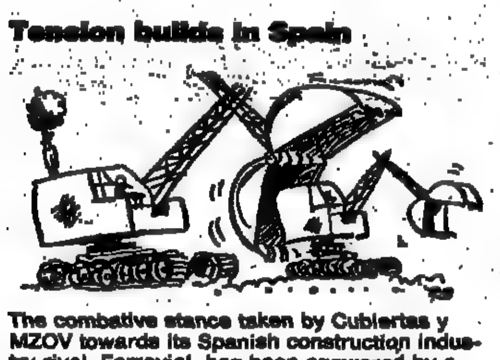
Bond aims for calmer waters

Alan Bond has narrowly steered his flagship Bond Corporation away from a wind-up action threatened by Bell Resources, the independently controlled subsidiary. Bell has agreed to buy Bond Brewing Holdings, which makes Swan, Tooheys and Castlemaine XXXX lagers, for a revised A$1.85bn (US$1.4bn), subject to satisfactory finance and shareholder approval. Chris Sherwell reports on what could be a critical move for Bond Corp. Page 27

Nomura prepares a package deal

Nomura Securities is said to be preparing the largest-ever repackaging of highly-leveraged senior debt for resale to investors. Concern from banking regulators is encouraging lenders to remove transactions from their balance sheets. Norma Cohen looks at what appears to be a promising route for banks wishing to divest themselves of these loans. Page 29

Tension builds in Spain



The combative stance taken by Cubiertas y MZOV towards its Spanish construction industry rival, Ferrovial, has been answered by a hostile takeover bid. Ferrovial, smaller but richer than its target, has been spoiling for this fight. Now analysts believe the bid may succeed, creating Spain's largest construction empire. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Daimler	914.5	+	13.5
Deutsche Bk	817	+	21
Hochtief	1515	+	55
Holzmann	1421	+	42
Schering	663	+	38
Falls			
Aachener Muen	790	−	15

NEW YORK ($)

Rises			
Advanced Micro	9¾	+	½
Anheuser-Busch	37	+	1⅛
Boeing	71⅝	+	1⅛
Goodyear Tire	36⅞	+	1¼
Shawmut Nat	14⅞	+	¼
Falls			
Abbott Labs	65⅝	−	¾

PARIS (FFr)

Rises			
Fichet Bauche	1400	+	57.3
Imetal	315.5	+	15.2
Sagem	1378	+	60.5
Falls			
SCREG	1100	−	46.9
Skis Ross	980	−	37.5
Sogerap	500	−	17.3

Tokyo closed. New York prices at 12.30.

LONDON (Pence)

Rises			
Bass	913	+	6
Britannic	593	+	33
Grand Met	583	+	18
Ocelot	65	+	10
Steetley	380	+	7
Wellcome	698	+	8
Falls			
Automagic	50	−	8
Brit Aerospace	488	−	5
Rapid Radio	160	−	13
Carlton Comm	695	−	19
SWR Group	445	−	20
Glaxo	806	−	15
Highland Dist	207	−	6
LASMO	610	−	11
Pearson	645	−	11
Prudential	199	−	5
Strong&Fisher	31	−	12
Telecomputing	35	−	5

BAT surpasses profit forecast

By Nikki Tait in London

BAT INDUSTRIES, the tobacco-based conglomerate, yesterday unveiled pre-tax profits of £2.04bn ($3.26bn) for 1989 – comfortably surpassing the £2bn forecast made last September during its bid defence against Sir James Goldsmith's Hoylake consortium.

But the group also revealed the heavy cost of fighting Sir James. Expenses on this score amounted to £56m during 1989 alone – and there will be further significant amounts to come.

Some £25m related to defence fees themselves, plus the cost of developing the conglomerate's current restructuring plan which slims its business down to two activities, financial services and tobacco. A further £21m arose as a result of BAT's opposition to the possible change of ownership of its US insurance subsidiary, Farmers Group, and the cost of fighting this through the US regulatory process.

Hearings before the nine US state insurance commissioners began only in 1990 and BAT said that further expenses would fall in the current year. Mr Pat Sheehy, BAT chairman, declined to speculate on what the final costs might be, given the uncertain length of the regulatory battle.

BAT also disclosed that details of its second demerger – that of the paper operations, Wiggins Teape Appleton – would get under way on May 10, when the listing particulars would be published. BAT devised a series of asset sales and demergers as part of its fight against Hoylake. The Argos demerger details were released last week, and yesterday Mr Sheehy said he expected the sale of the two smaller US retail chains – Iveys and Breuners – to be finalised in the next two to three weeks. The sale of the Eurotec plastics business in Germany, BAT told analysts, should proceed before Easter. However, the sale of its Horten retail business, also in Germany, is proving a slower process.

Hoylake, meanwhile, pointed to the costs of BAT's share buyback programme, revealed in the figures. It noted that BAT said it had purchased, and then cancelled, shares at a cost of £213m in 1989, although its actual "stock market" expenditure was only £159m.

BAT confirmed that the difference between the two figures was explained by a write-off of irrecoverable advance corporation tax. Hoylake claims that this raises the "true" price at which BAT is buying in equity to about £10.80 a share.

Analysts generally greeted the figures as unsurprising but "pretty respectable." The BAT share price eased just 2p to 814p in yesterday's grim stock market conditions. BAT declined to say whether its brokers had re-entered the market to purchase shares.

Details, Page 31; Lex, Page 22

SKF purchases US bearings maker

By Robert Taylor in Stockholm

SWEDEN'S SKF, the world's leading roller bearings company, has acquired CR Industries (Chicago Rawhide) of the US, the leading US manufacturer of fluid sealing devices for automotive and machinery applications. Terms were not disclosed.

CR Industries, based in Elgin, Illinois, is a wholly-owned subsidiary of the Luxembourg-registered company Ifint. It has an annual turnover of SKr1.7bn ($270m) and employs 3,000 people.

SKF said the acquisition was a strategic move to expand its US activities. "CR Industries is recognised around the world as a leader and innovator in sealing technology," said Mr Maurits Sahlin, SKF's chief executive, yesterday.

CR Industries has production facilities in 10 US states, and joint ventures in Mexico as well as Japan, where it manufactures products for the Japanese car industry. It is also an important producer of equipment for the aircraft industry.

SKF hopes the transaction will be completed in early April. The company's US strategy, designed to expand and improve its performance in the turnout US market, began in earnest in June 1985 when it announced the formation of a new operational division for roller bearings in North America.

Anti-trust laws until then had made it difficult for SKF to expand through acquisitions from its US base near Philadelphia. At that time, SKF accounted for only 10 per cent of rolling bearing sales in the US.

It is estimated that 25 per cent of SKF's sales go to the US market. A large part of these sales is met by SKF's US plants. Last year the value of the group's US turnover was about SKr5bn.

The new chief executive of London's International Stock Exchange minces no words about his staff: "There are an awful lot of people here who are doing not much more than serving committees which have no resources, no accountability, no responsibility, and don't actually do anything except make noise."

Mr Peter Rawlins was brought in last autumn to shake up the organisation and the new broom swung into action yesterday. It swept through the exchange's towering office block in the heart of the City and in the process cut 350 of the exchange's 2,350 jobs. This is only the first sweep: before the end of the year the managing directors in charge of the exchange's three new operating divisions will have taken a further look and cut back further.

Many of those who didn't lose their jobs will find themselves doing something very different from what they did before. It is all part of a deliberate attempt to shake to its core what had become a complacent organisation. "It will make some people think, and I hope it will challenge a lot of people – that is the intention," says Mr Rawlins.

The shock waves from this upheaval are likely to reverberate through the Stock Exchange tower for some time, and will not have been popular with the old guard. Rather than the former nine executive directors, there will be just three. The large central divisions over which some of those directors presided are being broken up.

In future, the market will have three parts, each responsible for a different function: a primary markets division, fulfilling the exchange's responsibilities as a regulatory agency and providing services to issuers; a trading markets division, charged with the task of running "the most cost effective and efficient secondary markets in the European time zone"; and a settlements division.

Each will take on a high level of responsibility for its own computerised services, its own rules and regulations, and its own development. Of the managing directors of these divisions, Mr Rawlins says: "They will be able to run their businesses as businesses with accountability – a new word in this place. They will be left to get on with it, within a reasonably clearly defined operating and financial framework."

Apart from causing upheavals at all levels of the exchange, this change is intended to have two other beneficial effects. First it does away with the bulk of the 100 or more committees of which Mr Rawlins complains. After the changes, to take effect on April 2, there will be a more modest 15 to 20 committees at the exchange.

At the same time that these obstacles are being removed from the efficient operation of the exchange, the role of its ruling council has been redefined: it has agreed that in future, like the board of a company, it will largely delegate decision making. Mr Rawlins says: "The role of the council will be what it should have been all along – policy and strategy oversight. We won't have major council sessions dealing with the nitty-gritty."

Peter Rawlins: 350 jobs go in shake-up

Spring cleaning the ivory tower

Peter Rawlins tells Richard Waters of his plans for the central market

The second effect of the shake-up will be a dramatic change in the exchange's need for computer experts. "We have goodness knows how many computer systems underpinning our various trading markets – Seaq, Seaq International, Topic, Epic, CRS, God knows what. There is string and sealing wax everywhere holding all these things together. We've been working to rationalise these," says Mr Rawlins.

A re-engineering of all these systems, expected to take a further year, should bring some coherence to the exchange's systems. The result: less demand for the large systems maintenance staff currently employed at the market. Along with the reduction in systems maintenance staff, will be a fall in the amount of computer systems development done in-house.

Although Mr Rawlins is not rigid on the matter, he has a marked preference for using outside experts. "Our business is facilitating securities trading and settlement – I don't think it is technology."

Having produced the blueprint for sorting out the exchange, Mr Rawlins will have time to concentrate on a number of major strategic questions that currently face it. Two are particularly important: whether one of the exchange's three new divisions, settlements, should be hived off, and what stance London should take on the idea – proposed by the Paris exhange – of a pan-European "list" for dealing in the 300 or so most internationally traded stocks in the continent.

On the first, Mr Rawlins appears unenthusiastic about the idea of conceding an equity stake in the new settlement operation to outsiders, despite the grumbles of banks who want a stake and the fact that the exchange's chairman, Mr Andrew Hugh Smith, last year declared a willingness to concede this point.

Mr Rawlins argues that ownership is no longer an important issue. In recent months, the exchange has already involved outsiders more in the decisions about settlement – registrars, custodians, clearing banks and the like. Also, it has been open with them about the costs and benefits of the development of Taurus, its paperless settlement system, which will be financed independently of the rest of the exchange. Furthermore, he says, outsiders will have a say on the new divisional board which overseas the settlement division. What further reason could there be for hiving it off completely?

Mr Rawlins highlights the only point he believes matters: the way in which risk in the settlement system is shared between the exchange, banks and others. If outsiders are willing to take on a greater share of the risk, he suggests, then a settlement operation with outside ownership would make more sense.

This is likely to remain one of the trickiest issues on Mr Rawlins' plate, however. He is philosophical about this. "We never will please everyone, because everybody has deeply entrenched vested interests in this. Most of the people who have a say in it are actually making money out of the chaos and inefficiencies in the system."

On Europe, meanwhile, Mr Rawlins takes a pragmatic approach. The exchange's strategy has not yet been formulated. But he says: "I don't think we are going to have a single Eurostrategy. What we will do is build on our existing strengths, so far as possible co-operate, but not necessarily dream up a whole load of wonderful ideas from bureaucratic stock exchanges that doesn't have any relevance to what users want."

This aversion to grand schemes is already clear in his view of the Pipe, a project conceived by Europe's leading stock exchanges last year as a way of building a price dissemination system for internationally traded stocks. He comments: "It's very far from clear to me that this is meeting any clearly targetted and established marketing needs. If people want visibility for internationally traded securities prices, they can get that now," through providers such as Reuters or the Exchange's own Seaq International."

He adds: "It seems to me like one great big grandiose plan to suddenly go communautaire with international trade, which is fine as long as everyone is stuck on a physical floor, but we aren't." Such talk is likely to add spice to the Europe-wide discussions later this spring on the future for Europe's stock exchanges.

In London, meanwhile, Mr Rawlins' spring clean has been greeted with cautious optimism by securities firms. They are happy to see the exchange's costs fall, but have yet to be convinced that the central market has entirely mended its ways. The double act of Mr Rawlins and Mr Hugh Smith, who have put few feet wrong so far, still has a long way to go before delivering the kind of stock market that users would be happy paying for.

Peugeot pulls out of Derby deal

By William Dawkins in Paris

DERBY INTERNATIONAL, owner of Raleigh Industries, the British bicycle maker, has failed to take over Peugeot Cycles, because of an apparent last-minute change of mind by the French owners.

The deal would have united Raleigh with France's largest bicycle group and created the biggest bicycle maker outside the Far East.

It was supposed to have been finalised earlier this month, but Peugeot, the car group which owns the loss-making cycle company, did not turn up at the completion meeting in Paris, said Derby International.

Derby was informed by the Peugeot Group that, following a change of policy, it had decided to keep the business. "Peugeot has given a categoric assurance that it has no intention of selling to anyone else," said the UK company.

This is a disappointment to Derby International's ambitions, which began to take off when it bought the loss-making Raleigh in 1987 from TI Group, the British engineering company, and returned it to profit a year later.

The deal included cycle plants in the US, Canada, the Netherlands, and South Africa, to which Derby International later added a West German cycle producer.

Together, the companies owned by Derby International make 2.5m cycles annually, almost four times as many as Peugeot.

Peugeot Cycles refused to comment on why it did not complete the deal, which was agreed in principle last September. "All we can say is that it is not for sale any more," said Mr Philippe Poinso, President of Peugeot Cycles.

The car group was now committed to the long-term development of its cycles division, which has been part of the French company since it was founded in 1882.

No purchase price was disclosed, but the deal had been underwritten by the London merchant bank J.Henry Schroder Wagg, plus Banque Nationale de Paris and Banque Louis-Dreyfus in France.

Peugeot Cycles made a FFr18.7m ($3.3m) loss in 1988, up from the FFr11m deficit of the previous year. However, the cycle unit is now on the path to recovery, said Mr Poinso.

Turnover last year was an estimated FFr700m, up from FFr586m in 1988.

Peugeot Cycles made 658,000 cycles last year. Half of these were sold in France, where they represented about 18 per cent of the total market, and the rest were exported, said Mr Poinso.

Steetley buys Gobitta businesses

By Andrew Taylor in London

STEETLEY, the UK buildings material group which has expanded rapidly since 1985 to become France's biggest aggregates producer, yesterday announced its second large French acquisition in six months.

The group has agreed to pay FFr850m ($152m) to purchase sand, gravel, limestone and ready-mixed concrete businesses owned by Mr Vasco Gobitta in the Ile de France region of Paris.

Last September Steetley paid FFr407m for a 75 per cent stake in Callet, the family-owned aggregate and ready mixed concrete company.

The purchase of Gobitta and Sablières de Vallée de l'Oise, together with other businesses owned by Mr Gobitta, will consolidate Steetley's position in France. It now has reserves approaching 1bn tonnes.

Following the purchase of the Gobitta businesses, Steetley will control about 10 per cent of the French aggregates market, compared with just 2 per cent five years ago. Ciment Français is the next largest producer with an estimated 7 to 7.5 per cent of the French aggregates market, followed by Lafarge with about 6 per cent.

France accounts for just over a fifth of Steetley's trading profits, compared with less than 5 per cent in 1985. The British group is due next week to announce results for 1989.

The latest purchase will significantly increase Steetley's operations in Ile de France area where it previously had only a very small presence. The region is the biggest aggregates market in the country, accounting for 9 per cent of national aggregate consumption and 22 per cent of ready-mixed concrete sales. Steetley will now become the third-largest producer in the area.

Payment for the businesses will be staged over nine years. The effect will be that the businesses will make a positive contribution to earnings per share this year, said Mr Richard Miles, Steetley managing director.

Steetley has already paid FFr100m; another FFr125m is due on June 15 this year and FFr200m on June 15 1991. The balance of FFr425m will be paid over the following seven years.

The effect of the deal would be to add 4 per cent to gearing (net debt as a proportion of shareholders' funds). This stood at 20 per cent at the end of last year.

Mr Miles said he was optimistic about prospects for sales in France. The number of trunk roads was planned to increase 20 per cent by 2000, about 30 per cent of main roads would become motorways and plans are to increase the French high speed rail network, he added.

INTERNATIONAL COMPANIES AND FINANCE

BTR comes under fire in Massachusetts

Karen Zagor surveys hostility to the British company's bid for Worcester's Norton

When a protester set fire to an American flag last year, the conservative backlash forced a Supreme Court ruling on free speech. But there was no audible outrage on Monday when a Union Jack was burned in Worcester, Massachusetts to protest BTR's proposed $1.64bn takeover of Norton Company.

The British industrial conglomerate's unpopularity in Worcester was spelled out in the banners carried by the 3,000-strong crowd in front of City Hall, which proclaimed: "Boston Tea Party II," "Ban the Brits," "No Bloody Way" and "Baseball, Motherhood and Apple Pie. To Hell with Tea and Cricket."

According to a columnist for the local Telegram and Gazette newspaper: "There hasn't been as much anti-British sentiment in these parts since Isaiah Thomas was printing anti-English missives during the Revolutionary War."

The virulence of this reaction is partly attributable to pure xenophobia, triggered by increasing foreign investment in the US. "Other foreign takeovers have left a bad taste," said Mr Jordan Levy, Worcester's Mayor.

But BTR's handling of other US acquisitions – particularly its $45m purchase in 1978 of Worcester Controls, another local company – has contributed to the fears of the Worcester community.

The main point of contention is the decision to move Worcester Control's manufacturing plant from the Worcester area to Mississippi in 1980. Worcester Control's local management takes credit for the decision to move operations away from the expensive north-east to the south, where wages and expenses are lower.

Despite assurances to the contrary, Norton workers are worried that under BTR's control, the company will similarly be pressured to improve margins by cutting labour costs – a process which could, they say, lead to the closing of the Worcester plant.

The recent shutdown of another BTR acquisition in Chicago, when manufacturing was moved to Mexico, is seen as further evidence that Norton's days in Worcester might be numbered under the British conglomerate.

BTR, for its part, has stated that it has no plans to close any of Norton's manufacturing facilities "in Massachusetts or elsewhere," and promised that the group's corporate headquarters would remain in Worcester.

Norton was founded in Worcester in 1885 and has always been under local management. The company gives sizeable contributions to local charities, sponsors school and arts programmes and helps city government by lending its expertise to help with computer training or financial investments. The city's biggest employer, with a workforce of nearly 3,500, it ranks 264 in the Fortune list of the 500 largest US industrial corporations with sales of $1.41bn.

"Norton is an excellent company, an industry leader with major market share in all of its businesses," according to Mr Eli Lustgarten, vice president at PaineWebber.

Analysts have seen Norton as a vulnerable takeover target for some time. "Norton is a good company with good returns, excess cash-flow and cheap stock," said Mr James Ruf, a special situations analyst at Wertheim Schroder in New York. The company has been largely ignored on Wall Street, in part because its businesses, which include bonded and coated abrasives, superabrasives, advanced ceramics, performance plastics and chemical process products, are not deemed exciting.

Credit: A protester burns the Union Jack during a Norton rally

Furthermore, Norton has no direct competitor with whom to compare its performance. While BTR believes that Norton's overall profit margins can be quickly improved, the company's margins for sandpaper, for example, where it competes directly with Minnesota Mining & Manufacturing (3M), are better than the margins for the company as a whole, according to Mr Lustgarten. "BTR is correct in its assessment that the operating margins of Norton could be meaningfully improved," said Mr Ruf.

Analysts have expressed disappointment with the company's fourth-quarter results, when income from continuing operations dropped 31 per cent from $13.4m to $9.2m. Although the decline was partly attributed to unusual expenses and a softening in demand for higher margin abrasive products, the operating environment was not hostile enough to warrant the fall in earnings, they believe.

Norton stands to make a big profit from the $600m sale of its Eastman Christensen oil-field services subsidiary, to Baker Hughes. Only six months before the proposed sale was announced, Norton bought back a 50 per cent stake in the company for only $115m. The move has been viewed positively by BTR, which has made several disposals of its own in oil-field services recently.

"If we were to lose Norton, I hate to think of the impact it would have," said Mr Mulford. "One entire sector of the city is the Norton manufacturing plant."

Mr Levy met with BTR's chief executive, Mr John Cahill, on Monday. According to Mr Levy, the meeting was "congenial," but he has not been convinced that a BTR takeover would be in the best interests of the community.

Japanese may pull out of Boeing 767X programme

By Paul Betts and Paul Abrahams

NEGOTIATIONS between Boeing and three leading Japanese groups to take a 25 per cent equity stake in the US aircraft manufacturer's programme to develop a new wide-body twin-engine airliner have reached a critical stage with growing signs that the Japanese may not participate as risk sharing equity partners in the $4bn project.

Boeing has been negotiating for the past five months with Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries to invest in the 767X to spread the financial risks of launching the new 350-seat airliner and to enhance its chances of securing major orders from Japanese airlines.

Boeing confirmed yesterday there was a strong risk the Japanese may not participate as equity partners in the 767X programme, although talks were continuing.

Mitsubishi confirmed in London this week that discussions were continuing between Boeing and Japanese companies.

Boeing has also indicated it would look for alternative risk-sharing partners if it failed to secure a deal with the Japanese. Aeritalia, the Italian state aerospace group, is one possible candidate since it is already a partner, like the three Japanese companies, in Boeing's 767 twin-engine airliner programme.

Boeing claims it could finance the programme, which would become known as the 777 once officially launched, even if the Japanese did not contribute 25 per cent of the development costs.

Nonetheless, failure to secure Japanese financial participation in the 767X would be a blow for Boeing, which is already lagging behind the European Airbus consortium and the US McDonnell Douglas group in the growing market for 350-375 seat medium-to-long range wide-body aircraft.

Boeing has been involved in intense talks with potential customers over its new aircraft but these have dragged on and Boeing has had to delay the launch of the new aircraft.

Boeing has come under political pressure over its ties with Japanese manufacturing groups. There has been concern over the US giving Japan too much access to US aerospace technology when Japan is seeking to become a major player in aerospace.

USX attacks proposed spin-off

By Anatole Kaletsky in New York

USX, the Pittsburgh-based energy and steel group, yesterday attacked the break-up plan presented to its shareholders by Mr Carl Icahn, the corporate raider and takeover specialist who owns 13.3 per cent of the company's equity.

Under Mr Icahn's plan, which will be put to the vote at the company's annual meeting on May 7, the steel and energy businesses would be divided, reversing the diversification pursued by USX management since the late 1970s.

US Steel, America's biggest steelmaker and the company which had dominated the US industrial sector for much of the past century, would be spun off into a separate corporate entity, leaving USX to concentrate on its oil and natural gas activities.

In the proxy statement sent to shareholders yesterday, the USX board condemned this proposal as "unnecessary and unwise." The Icahn plan was "a simplistic response to a complicated issue," USX said, adding that it would raise significant tax, legal and financial issues.

The board strongly urged shareholders to vote against Mr Icahn, although USX noted that his resolution was non-binding and therefore the board would not be legally obliged to follow the results of the vote.

The board's main objection to the Icahn plan was the original argument for diversification into the energy business. The energy and steel industries could continue to complement one another, offsetting cyclical variations and increasing the group's financial strength.

"The combined financial strength of the corporation's two major businesses enhances its borrowing power and flexibility and also its ability to resist business downturns and disruptions that could adversely affect a single business," the board said.

In addition, USX executives have argued that the $900m of tax losses still carried in the steel business could continue to shelter profits from the energy business for several years to come.

However, the USX proxy statement did not specifically mention this argument. It merely noted that Mr Icahn's proposal would limit the board's options for maximising shareholder values and after-tax profits.

Such a specific recommendation could undermine the board's efforts to find alternatives which would be more advantageous for the company's shareholders, USX said.

● Mobil, the US oil company, plans to invest more than $300m to modernise and expand its refinery in Beaumont, Texas, Reuter reports.

The plans include upgrading the facility to process various grades of crude oil into premium fuels and other high-value products.

Mobil said the project will expand the largest of its five US refineries to process 325,000 barrels of crude a day, from 285,000 barrels a day. The project will also expand its distillation unit.

Bronfman brothers may restructure investments

By Robert Gibbens in Montreal

EDPER Enterprises, the main investment holding company of Peter and Edward Bronfman, the Canadian entrepreneurs, is considering restructuring some of its holdings to improve shareholder values.

Edper controls Brascan, the financial services, resource and consumer goods group, a clutch of companies including some in manufacturing and real estate through Hees Holdings. Only 5 per cent of Edper's stock is publicly held, following a C$110m (US$93.3m) equity issue last year at C$27.5 a share. However the stocks have been languishing at around C$24 in the market this year.

Mr Trevor Eyton, Edper president, has estimated that Edper was worth at least C$33 a share, based on present market value of the securities owned. He has for some time complained of an excessive market discount on the shares of Brascan and the other holding companies.

The restructuring may affect minority holders of two mining companies, Westmin Resources and Brascade and the Great Lakes Group, which may be asked to exchange their shares for cash or shares in other Edper companies. The aim would be to simplify the group and ensure realistic market valuations of assets.

Edper has reported C$28.4m or 64 cents a share in earnings for the first quarter ended February 28, up 72 per cent from a year earlier. The group has already been through one round of restructuring in the past year.

RVI falls 9% to FFr930m

By William Dawkins and Kevin Done in Paris

RENAULT Véhicules Industriels (RVI) Europe's third largest truck maker, yesterday reported a 9 per cent decline in last year's net profits, to FFr930m ($163m), well below the FFr1.5bn RVI had been predicting as recently as last autumn.

The company has been hit by heavier than expected losses in both its US and British operations. Mr Jean-Pierre Capron, who took over as chairman and chief executive last autumn, said that in spite of these problems, RVI was still the only truck maker to record an increase in both sales and margins in its European operations, thanks to a buoyant continental European market and the benefits of further job reductions.

Turnover at RVI, a subsidiary of the state-owned Renault car group, which recently announced an alliance with Volvo, the Swedish car and truck maker, rose 1.3 per cent to FFr34.3bn last year. Net profits slipped from just over FFr1bn to FFr930m.

European truck demand would slacken this year, leading to virtually unchanged group profits for 1990, Mr Capron forecast. Losses would diminish in the US and Britain, but continental European profits would fall. Demand in the UK truck market has plunged in recent months and new orders in France and Spain were currently running at around 10 per cent below the level of a year ago, he said.

Mack Trucks, the 45 per cent owned US division, swung from a $31.8m profit in 1988 to a $185.4m loss, reflecting the mishandled launch of a new range of trucks and mismanagement as well as the sharp downturn in the US market.

Renault Truck Industries, the British subsidiary seen as the weak link in RVI's otherwise healthy European businesses, saw its losses surge from the previous year's £1.5m ($2.4m) to around £7m net, not including restructuring costs taken on by the RVI group and conversion of some debt into equity.

RVI and Volvo were meanwhile discussing the possibility of sharing research activities, said Mr Capron. Their combined research capabilities would match those of Daimler-Benz, Europe's biggest truck maker.

RVI's European sales rose from FFr21.5bn to FFr23.2bn, being 67.6 per cent of RVI group turnover, while the region's net profits jumped 51 per cent from FFr990m to FFr1.5bn. Operating margins in Europe rose from the previous year's 8 per cent of turnover to 10 per cent. Meanwhile, RVI's share of the European market for trucks above 5 tonnes fell slightly to 12 per cent from 12.3 per cent a year previously.

Nixdorf chief sees cut in losses for 1990

By Andrew Fisher in Frankfurt

NIXDORF, the troubled West German computer company which is being acquired by compatriot Siemens, expects its losses to fall sharply in 1990, having just been through a year which Mr Horst Nasko, the chief executive, described as "by far the most difficult" in its history.

Mr Nasko said turnover fell by 2 per cent to DM5.25bn ($2.98bn) in 1989, down on forecasts of about DM5.6bn, which would have been a 6 per cent rise. "The reason for this was the severe changes in the data processing market, especially in the segments where Nixdorf is active."

He did not say how large Nixdorf's losses were last year. For the first nine months, the company reported a pre-tax loss of DM465m. Industry estimates of the full loss have ranged between DM600m and DM1bn, including heavy restructuring costs.

Mr Nasko said the usual second-half improvement in business did not occur, so turnover growth of the first six months could not be maintained.

Domestic sales for the full year were down 7 per cent, while foreign sales rose by 4 per cent. The order backlog fell by 15 per cent. Uncertainty about Nixdorf's future hit business badly in the fourth quarter, he added.

Nixdorf ran into problems about two years ago. It has strived to cut operating costs, but incurred high research and development expenses as it changed direction.

Building empires prepare to raise the roof

Peter Bruce on a bitter battle between Spain's two large construction companies

It was never a good idea to cross Mr Rafael de Pino, president and founder of one of Spain's richest construction companies, Ferrovial. For a year, the embattled board of a bigger rival, Cubiertas y MZOV, has been trying to do just that and has just been rewarded with the suspension of its stock and a hostile takeover bid from Mr De Pino.

Analysts in Madrid believe the bid may succeed, creating Spain's largest construction empire and one of the 20 largest in Europe. In 1988 the two groups had combined sales of nearly Pta150bn ($1.3bn).

It will be a bruising affair. Mr De Pino is a political prizefighter and probably the best-connected private sector industrialist in the country. He once hired the present governor of the Bank of Spain, Mr Mariano Rubio, when the latter was in trouble, and is close to the present and past Socialist Finance Ministers, Mr Carlos Solchaga and Mr Miguel Boyer. He also has a stake of close to 4 per cent in Banco Hispano Americano and Mr De Pino and Mr Claudio Boada, Hispano's chairman, are old friends.

Banco Hispano Americano has put up Pta16bn to guarantee the bid which, at Cubiertas' share prices just before Monday's suspension, would take Ferrovial from its 25.8 per cent holding to just over 50 per cent. Cubiertas has a total market value of Pta54.82bn.

Ferrovial, smaller but richer than its target, has been spoiling for this fight. Indeed, the takeover has all the promise of a massive Spanish power play – for Cubiertas is not without friends.

The target has hired Bankers Trust and Goldman Sachs to mount a defence, which will probably involve making a counterbid if the Spanish stock market commission allows the Ferrovial bid to run. About 39 per cent of Cubiertas is openly quoted on the stock markets in Spain.

Most of the rest, apart from Ferrovial's hostile stake, is held by Entrecanales, another large and secretive constructor with 13.2 per cent, Banco Pastor, the Galicism based bank with 6.2 per cent, and the Messa family (just over 3 per cent) and workers, who have about 6 per cent.

Mr Guillermo de la Dehesa, president of Banco Pastor and until recently deputy finance minister, and Mr Eduardo Serra, Cubiertas' vice president and, also until recently deputy to the Minister of Defence, will be key players in the defence. One of the Entrecanales family has just been appointed to the board of Spain's biggest bank, Banco Bilbao Vizcaya, which could open another lifeline.

Mr Luis Palomares, an analyst with stockbrokers F&G in Madrid, said yesterday he expected the bid to be allowed and would probably immediately be met with a counter offer. This would force Mr De Pino to make an offer for 90 per cent of Cubiertas, he said. Cubiertas owns 10 per cent of its stock.

But getting to 90 per cent will be extremely difficult. The row began early last year after Ferrovial bought 20 per cent of Cubiertas on the market. Cubiertas replied with a big convertible bond offering hoping to attract new friendly shareholders but Mr De Pino bought most of the bonds.

At a shareholders' meeting last summer, Ferrovial demanded seats on the Cubiertas board but was turned down. Mr De Pino went to the courts, where the complaint has languished ever since. Meanwhile, Cubiertas' other main shareholders agreed to syndicate their stock among themselves, which will make it difficult for Ferrovial to break through.

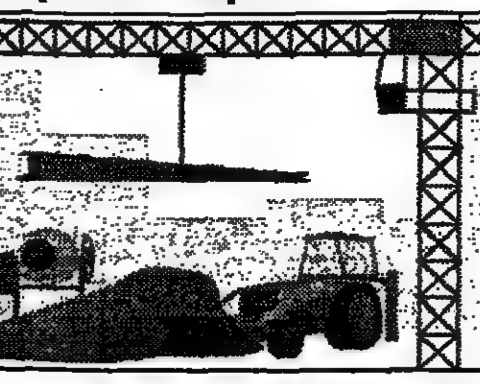
The bid, a significant rupture of good faith between Spanish constructors, has been generated by the extraordinary strength of the construction market in Spain since 1985. Construction turnover has nearly doubled since then to $40bn a year, about 10 per cent of the country's gross domestic product and the industry employs more than 7 per cent of the working population. General contractors have production backlogs of nearly 20 months and average return on assets in the sector has risen two full percentage points to 7.4 per cent.

Ferrovial has come out of this boom in much better shape than Cubiertas y MZOV. A recent report by the independent Madrid analysts, Research Associates, said low margins at Cubiertas "point to profitability margins which are approximately half its competitors." Cash flow at Cubiertas in 1988, according to the report, was 2.4 per cent of sales while Ferrovial managed cash flow of nearly 9 per cent.

Ferrovial, which has also branched out into public services, has a near obsession for keeping costs and its break-even point low. "Ferrovial has developed a very deep and large know-how in dealing with the State and other public entities. Such know-how is instrumental in optimising contract cash flows and in minimising marketing costs," said Research Associates.

Whether those connections will help Mr De Pino now is anyone's guess. Cubiertas officials were insisting yesterday that cash flow last year had nearly doubled and that pre-tax profits had risen 175 per cent to Pta2.8bn but early odds are running against them.

Construction companies compared



Cubiertas y MZOV

1988	Pesetas billion
Sales	96.42
Operating profit	2.27
Pre-tax profit	1.32
Net income	1.18
Dividends	0.43

Ferrovial

1988*	Pesetas billion
Sales	50.84
Operating profit	1.73
Pre-tax profit	3.00
Net income	3.00
Dividends	0.60

Source: Research Associates *estimates

DAF warns of downturn in spite of 17% net rise

DAF, the Anglo-Dutch truck and van maker, yesterday confirmed a 16.7 per cent rise in net profits last year – but warned that profits would fall in the first half of this year, largely as the result of a steep downturn in the UK truck market, writes John Griffiths.

DAF, which embraces the former UK state-owned Leyland trucks and Freight Rover vans operations, depends on the UK for 40 per cent of its turnover. The market for trucks over 3.5 tonnes has plummeted by around one-third since the start of this year.

DAF's sales in this sector have fallen by less – around 25 per cent. However, it has underperformed in the UK vans sector, its sales falling 24 per cent this year against a drop of 18.23 per cent for the sector overall.

The group confirmed a net profit of Fl 171.7m ($88m), compared with Fl 147.1m in 1988, on a turnover 1.2 per cent higher at Fl 5.27bn ($2.75bn). A dividend of Fl 3.50 per share is being proposed.

DAF said its share of western Europe's market for trucks over 3.5 tonnes fell to 9 per cent from 9.4 per cent last year.

Klockner-Werke to pay dividend

KLOCKNER-WERKE, the West German steel company, posted a group net profit of DM115m ([illegible]) in the year ended September 30, after breaking even a year earlier, AP-DJ reports.

Group sales rose 18 per cent to DM7.2bn from DM6.12bn a year earlier. The company repeated that it plans to pay a dividend for fiscal 1990 for the first time in more than a decade.

Banque Indosuez surges 25%

BANQUE INDOSUEZ, the merchant banking arm of France's Suez group, has wasted no time crying over the failure of its efforts to team up with Morgan Grenfell, the London merchant bank, writes George Graham in Paris.

Helped partly by a FFr245m ($43.1m) capital gain on the sale of its Morgan Grenfell shares to Deutsche Bank, Indosuez recorded a 25 per cent increase in net profits last year to FFr1.03bn.

Mr Antoine Jeancourt-Galignani, Indosuez's chairman, said the bank had increased net banking income by 11 per cent to FFr8.89bn.

Indosuez's stockbroking activities also performed well, with Cheuvreux-de Virieu, the leading French equities broker, making FFr80m before tax and W.I. Carr, the London and Far East broker, turning from a loss in 1988 to contribute FFr30m in 1989.

Mr Jeancourt-Galignani said Indosuez still believed its approach to Morgan Grenfell would have been the best solution for both companies, but that the bank had already taken other measures to build up its activities piece by piece and build one of the leading European merchant banks, able to compete with the leading Japanese and American houses.

The acquisition of Gartmore, the UK fund management company, for £155m will give Indosuez the presence it needs in this sector, Mr Jeancourt-Galignani said, while the recent recruitment of Mr Richard Sandor, the financial futures guru formerly with Drexel Burnham Lambert, would enable it to build up its activities in futures and in structured financing in the US.

Mr Jeancourt-Galignani said he was highly satisfied with the development of Indosuez's operations in London: its own banking activities, a small mergers and acquisitions team, the W.I. Carr broking operation and now Gartmore.

ABB says it wants closer relationship with R-R

By Nick Garnett

ASEA Brown Boveri, Europe's largest electrical engineering group, is seeking to extend its relationships with Rolls-Royce of the UK in power engineering.

Mr Percy Barnevik, ABB's president and chief executive, said there were advantages for both companies in being more deeply involved together.

"There is no agreement but we would like that," he said.

The Swiss-Swedish group has already formed a joint venture company with Northern Engineering Industries (NEI), the heavy engineering subsidiary of Rolls-Royce, in gas turbine power stations for the UK. It also has a 35 per cent share of International Combustion, NEI's British boilermaking business.

The Polish Government yesterday approved ABB's acquisition of Zamech, the Polish turbine manufacturer.

● The power engineering industry believes GEC Alsthom has been discussing with General Electric of the US the possibility of extending their relationships in electricity transmission and distribution equipment.

INT'L COMPANIES AND FINANCE

Electrafina benefits from consolidation

By Our Financial Staff

ELECTRAFINA, the Belgian energy holding company controlled by Groupe Bruxelles Lambert (GBL), reported a consolidated net profit of BFr5.85bn ($167m), a 40 per cent increase on the average combined profit of the old Electrafina and Cometra in 1988, prior to their merger early last year.

Electrafina said its 1989 results were largely influenced by the consolidation, on an equity basis, of its 20 per cent of oil company Petrofina and 21 per cent of energy group Tractebel.

Electrafina said it would propose an after-tax dividend of BFr122 for ordinary shareholders of record before July 1, 1989. For shareholders after July 1, the company will propose a BFr61 payout.

Electrafina said that, compared to last year's payout for Cometra and Electrafina, the proposed 1989 dividend represented a 33 per cent increase in return on capital.

Under a carve-up of the energy sector agreed last year with Société Générale de Belgique, Belgium's leading holding company, GBL is to become leading shareholder in Petrofina with 25 per cent, and remain second largest shareholder in Tractebel, after La Générale, with 26 per cent.

Svizzera Italiana lifts net income by 36.4%

By John Wicks in Zurich

BANCA della Svizzera Italiana (BSI), the Swiss bank, boosted parent company net earnings by 23.7 per cent last year to SFr57.6m ($37.8m) from SFr46.6m in 1988, following a 15.2 per cent growth in published assets from SFr7.82bn to SFr9.12bn.

Consolidated figures, which BSI has released for the first time, show that net earnings rose by 36.4 per cent to SFr78m and the balance sheet total by 19.5 per cent to some SFr11.1bn.

BSI will propose at its April 25 annual general meeting to increase dividends for 1989 from SFr70 to SFr80 per bearer share and series A participation certificates of SFr500 nominal value and from SFr14 to SFr16 per registered share and series B certificate of SFr100 nominal value.

In Zurich yesterday, Dr Giorgio Ghiringhelli, chief executive, said he was confident the bank would record "good results" again in 1990, with what could be a further 10 per cent rise in profits.

At the shareholders meeting, the board is also to propose the conversion of 1,357 remaining series A participation certificates into the same number of registered shares and 5,428 series B certificates.

Dr Ghiringhelli said the bank had not yet decided whether to follow the example of other Swiss companies and completely abolish the category of (non-voting) participation certificates.

However, he added, the fact that no new certificates had been created as part of last year's capital increase could be taken to "indicate the bank's position" in this question.

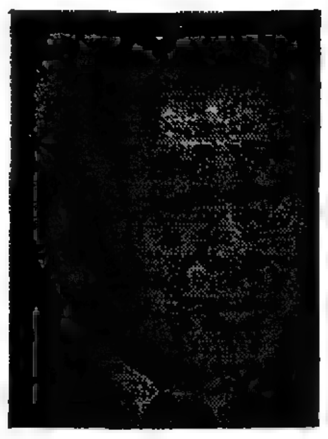
Net commission income went up by 29 per cent in 1989 from SFr120.8m to SFr155.8m and net interest income by 19.5 per cent from SFr98.8m to SFr118.1m. Elsewhere, earnings from currency and precious metals trading went up by 21.3 per cent from SFr37.2m to SFr45.2m. The 1988 figures include those of the Geneva-based Banque Romande, since integrated into BSI.

Among foreign operations, Dr Ghiringhelli disclosed that the London branch had passed the break-even point last year after losses in 1988, and shown "very satisfactory results." The branch had been set up at the end of 1987 to replace a former representative office.

A breakdown of the parent bank's balance sheet shows a sharp rise of 30.1 per cent for clients' funds from SFr5bn to SFr6.5bn, while the due-to-banks total was reduced by 24.8 per cent from SFr2.02bn to SFr1.52bn. Loans and advances to clients rose by 23.4 per cent.

INTERNATIONAL APPOINTMENTS

Lazard appoints Japanese adviser



MR SATOSHI Sumita (above), who recently retired as governor of the Bank of Japan, has become a special adviser on international financial matters to merchant bank Lazard Brothers, of London, and its Lazard Frères affiliated companies in Paris and New York.

★ ★ ★

NATIONAL Commercial Bank, Saudi Arabia's largest bank, has appointed Mr Peter Stevens as treasury manager in Jeddah.

Previously, Mr Stevens was head of the treasury group at the London branch of The National Bank of Kuwait.

Former IEL chief to take Pioneer helm

By Chris Sherwell in Sydney

MR ROD Price, the former chief executive officer of Industrial Equity Ltd (IEL), is to fill the same position at Pioneer International, the Australian building materials and resources group.

The announcement, made by Sir Tristan Antico, Pioneer's founder *and chairman*, ended three months of uncertainty for the group since Mr Des Quirk retired early because of ill-health.

Sir Tristan himself stepped down as managing director and chief executive two years ago, and despite his non-executive role retains a powerful influence over the group's direction.

Mr Price will start his new job in mid-April as Pioneer moves to complete the A$450m-A$500m disposal of its various mineral interests, including its failed investment in Giant Resources.

The proceeds are being used to reduce borrowings, but Sir Tristan indicated that the group had acquisitions in mind for its principal businesses, which are in building materials at home and abroad and, through the Ampol group, in oil exploration, refining and marketing.

Mr Price's background is in the Southern Farmers group, which he turned into a profitable food processor and distributor, and in IEL, which until last year was the Australian arm of New Zealand entrepreneur Sir Ron Brierley's empire.

When IEL suffered substantial losses in the 1987 crash, it was forced to shift its strategy from being an investment company playing the share market to an operational business with full control of the Woolworths retail chain.

Last year the group was taken over by Mr John Spalvins's Adelaide Steamship after Mr Price, his colleague Mr Bill Loewenthal and the textiles magnate Mr Abe Goldberg failed with a protracted management buy-out attempt.

"It became very difficult for there to be two captains on one ship," Mr Price said, "especially as one had actually bought the ship." His decision to leave IEL was unrelated to his move to Pioneer, where he would "definitely" be captain.

Sir Tristan declared that he would not be interfering in any formal way with management. However, he added: "If Mr Price wants to call on my 40 years of experience, he can." Mr Price said it would be foolish not to take advantage of Sir Tristan's experience.

Pennzoil chief executive

PENNZOIL, the relatively small Houston-based oil company which gained the world's attention with its long-running lawsuit against Texaco that Pennzoil finally won with a $3bn damages settlement two years ago, named executive vice president and chief operating officer Mr James L. Pate president and chief executive.

He succeeds Mr Randal B. McDonald, who is retiring. Just a month ago, Mr Pate, 54, was elected to the chief operating officer role. Mr Hugh Liedtke, 68, is chairman.

Mr Pate, since joining Pennzoil in 1976, has held posts such as chief economist, treasurer and senior vice president, finance. In 1974, he was appointed by President Ford as US assistant secretary of commerce, and later as a special adviser to the White House.

★ ★ ★

US SHOE, the Cincinnati-based footwear manufacturers and optical and women's apparel retailers, said president and chief operating officer Mr Bannus B. Hudson, 44, has been named chief executive officer.

He succeeds Mr Philip G. Barach, who will be 60 next month and had been chief executive since 1966.

Mr Barach, who retains his other role of chairman, will now concentrate on long-range planning and on developing growth strategies for the footwear and women's apparel retailing businesses.

★ ★ ★

TLC Beatrice International, the food and beverage conglomerate controlled by Wall Street investor Mr Reginald Lewis, named Mr Mark Thorne vice president – finance and chief financial officer.

He replaces Mr Kevin Smith, who is pursuing other business interests. Previously, Mr Thorne worked at the accounting firm of Deloitte & Touche, where he was a senior audit manager on the TLC account.

★ ★ ★

SHEARSON Lehman Hutton, the US securities house controlled by American Express, has appointed senior managing director Mr Philip Caldwell to its board of directors.

Mr Caldwell, who joined Shearson in 1985, previously served as chairman and chief executive of Ford Motor from 1980 until retiring from there in 1985. He had succeeded Henry Ford II as helmsman.

● In a separate announcement, Shearson named Mr Ronald J. Yoo as a vice chairman. Mr Yoo has also become a director of Shearson's broker-dealer unit.

ANZ names chief economist

AUSTRALIA and New Zealand Banking, one of the top three commercial banks in Australia, appointed Mr Ian Little as group chief economist.

He replaces Mr Andrew Mohl, who will be taking up a senior appointment in Sydney with ANZ's retail banking operations.

Mr Little, before joining ANZ in 1986 as senior economist, worked in Sydney in the research department of the Reserve Bank.

★ ★ ★

AT WANG Laboratories, the troubled US minicomputer maker, Mr Ken Olisa, vice president for applications engineering, has been appointed vice president and general manager for Europe, Africa and the Middle East.

He will be responsible for all sales and marketing activities in these geographic areas.

Mr Olisa replaces Mr Arend Vieggeert, who asked to be relieved of his responsibilities for personal reasons. Mr Olisa's appointment is for at least the remainder of the fiscal year, and no decision regarding a permanent replacement for Mr Vieggeert has been made.

★ ★ ★

MAYTAG, the US household appliances maker which owns the Hoover company, appointed Mr Leonard Hadley, an executive vice president, to a newly created post of chief operating officer.

Mr Hadley is currently president of the company's appliance group.

★ ★ ★

GAF, a US specialty chemicals concern, said Mr Irwin Engelman will join the company on April 2 as executive vice president and chief financial officer, and as a director.

Mr Engelman is resigning with effect from April 1 as president and chief operating officer of Citytrust Bancorp, although he will remain with the company as a director.

INTERNATIONAL COMPANIES AND FINANCE

Bell to buy Bond Brewing Holdings

By Chris Sherwell in Sydney

BOND CORPORATION, the troubled flagship of entrepreneur Mr Alan Bond, yesterday struck a dual agreement over its Australian brewing and broadcasting assets with Bell Resources, its independently controlled subsidiary – averting a wind-up action which the offshoot had threatened.

An announcement following protracted negotiations between the two companies said Bell Resources would buy Bond Brewing Holdings, which makes Swan, Tooheys and Castlemaine XXXX lagers, for a revised A$1.85bn (US$1.4bn), subject to satisfactory finance and shareholder approval.

The brewing sale is the third to be proposed by the two companies since last May, when Bond said it would sell to Bell Resources its worldwide brewing assets for A$3.5bn. That was revised to A$2bn for the Australian assets in December.

The sale is critical because it would give Bond Corporation a much-needed surplus on its brewing assets, and would repay a A$1.2bn "deposit" taken from Bell Resources through a controversial channelling of funds to Bond Corporation.

The second part of yesterday's deal gives Bell Resources a 40 per cent stake in Bond Media, together with better security over Bond Brewing's shares, in return for dropping its wind-up petitions.

Under an agreement with Bond Corporation and Hongkong and Shanghai Banking Corporation, a significant Bond creditor, Bell Resources will purchase 213m Bond Media shares for 40 cents a share. Payment will be through a reduction of the amounts already due to Bell Resources from Bond companies.

Significantly, the offer is well above the 10-cents-a-share bid by Mr Kerry Packer's Television Corporation of Australia, and potentially undermines its chances of success. It is also well ahead of recent market levels of 22 cents.

The agreement between Bell Resources and Hongkong Bank also provides that Bell Resources will pay A$22m to gain first mortgage security over the Bond Media shares instead of second mortgage and first mortgage security over Bond Brewing shares instead of third mortgage.

Bell Resources and Bond Corporation said they would "immediately commence discussions aimed at regularising as soon as possible the financial arrangements" between them, an apparent reference to outstanding payments due to Bell Resources which triggered its petitions in early February to wind up Bond Corporation.

Yesterday's developments were precipitated by deadlines for Bond Corporation to complete its brewing assets sale with Bell Resources and declare to the courts that it remained solvent. A further deadline looms next week, when Bond is due to repay Mr Packer A$200m due on his original 1987 sale of the Channel Nine television network.

A bank syndicate led by National Australia Bank has meanwhile decided to appeal to the High Court in Canberra against the decision by the full bench of the Victorian Supreme Court to remove receivers appointed to Bond Brewing.

The syndicate, which is owed A$880m, sought and won the appointment by a judge of the Victorian court in December, and the decision was confirmed in February. But earlier this month the full bench upheld Bond Corporation's objections and rescinded the decision. Bond Corporation is pursuing a separate claim for damages against the banks.

● Bond International Gold, control of which Mr Bond sold last year to Lac Minerals of Canada, incurred a net loss of US$26.4m for the six months to December, on revenues of $123m and what it described as a "lower than planned" 249,722 oz share of gold produced, Our Financial Staff writes.

The company, which has changed its year-end, lost $69.3m in the previous full year to June on sales of $306m.

Record profits for Jardine group

By Angus Foster in Hong Kong

JARDINE Matheson Holdings, the Bermuda-based trading company controlled by the Keswick family, yesterday reported record profits for 1989 boosted by strong growth from its Hong Kong and regional operations.

The company said profits after tax and minorities jumped 42 per cent to HK$1.58bn (US$202.6m). Extraordinary items, mainly from the sale of businesses as part of group restructuring, added a further HK$334m.

Sales, however, grew only 1.6 per cent to HK$15.06bn. The discrepancy seemed partly attributable to Jardine Fleming, the company's half-owned securities house, which lifted profits 46 per cent to $525m but is thought to have recorded much slower growth in turnover.

Jardine Matheson is recommending a final dividend of 74 cents to give total dividends for the year of 95 cents, a 46 per cent increase over last time. Earnings per share increased 45 per cent to HK$2.95.

The results were well above market expectations and Jardine Matheson's shares closed HK$1 higher at HK$26.30, helping trigger a minor rally among Hong Kong blue chips.

Mr Henry Keswick, chairman, said the results showed the company's strategy of decentralising its businesses was working. He said the company's principal subsidiaries – Jardine Pacific, a regional trading arm set up last year, and Jardine Insurance Brokers, had "outstanding" years. Jardine Pacific lifted net profits 44 per cent to HK$589m, while profits at the London-based insurance arm gained 8 per cent to HK$158m in a difficult market.

In spite of Jardine Matheson's links with Hong Kong, the group made 46 per cent of total profits outside the colony and China in 1989, a marked increase from the 31 per cent contribution last time.

The results also mark the fourth successive year Jardine Matheson has achieved impressive profits growth. The company seems to have recovered fully from the mid-1980s when high borrowings and a property crash forced a fire sale of assets and a restructuring.

ICI Australia forecasts difficult trading

ICI AUSTRALIA, a 62.4 per cent subsidiary of the UK's Imperial Chemical Industries, warned yesterday that its profits for the six months to March were expected to be about half that of the corresponding period last year, Reuter reports from Melbourne.

In the six months to March 1989, it posted net profits of A$88.6m (US$66.6m). ICI Australia said although sales were forecast to be about the same at A$1.49bn, profits would decline as a result of a steep fall in the international price of plastics and chemicals.

It said this was compounded by rising costs and high interest rates in Australia.

"The outlook for the remainder of the year is one of difficult trading for most of our businesses in a slowing economy," the company said.

"The company has implemented a range of measures to control costs and improve profits," it added. "Despite these adverse conditions, the future of the group is soundly based on a strong cash flow, conservative borrowing levels and a major share of those markets in which we compete."

The group plans to announce interim results on May 15.

Jardine Fleming in Taipei venture

By John Elliott in Taipei

JARDINE FLEMING, the financial services joint venture between Jardine Matheson of Hong Kong and Robert Fleming of London, plans to set up a new stockbroking firm in Taipei once it has pulled out of an existing partnership with local businessmen.

Three other foreign companies in the partnership, which each have 5 per cent stakes alongside Jardine Fleming's 10 per cent, are also pulling out. They are Rockefeller and Co of the US, the South Africa-backed Consolidated Resources of Hong Kong and the London-based Robert Fleming. They will receive NT$30 (US$1.12) for each of their NT$10 shares.

It is believed their move was motivated by differences of opinion with local partners about the development of the venture, Taiwan International Securities, in the casino-style atmosphere of Taiwan's controversial stock market.

The partnership, one of a series of integrated brokerages set up about a year ago, has less than 1 per cent of the market turnover. The most prominent local partner is Mr Pen-Tsao Chang, a member of Taiwan's parliament, the Legislative Yuan, and a prominent member of the ruling Kuomintang (KMT) political party.

Jardine Fleming intends to continue with its other investment banking and advisory activities and is drawing up plans to set up a new brokerage, possibly exercising the right for foreign companies to have a 40 per cent stake.

Bigger payout at UOL after strong growth

UNITED OVERSEAS Land (UOL), a property and hotel associate of Singapore's United Overseas Bank, increased net profit to S$23.9m (US$12.75m) in 1989 from just S$2.9m in the previous year and expects to improve its results further this year, Reuter reports from Singapore.

Turnover was S$57.8m compared with S$55.8m. A 3 cents a share dividend is being paid, up from 1 cent.

The rental market for commercial and residential properties was expected to firm, it said. Capital values of properties were likely to stabilise. "The upturn in the hotel industry is expected to continue for some time in view of the good growth rate in tourist arrivals coupled with the shortage of hotel rooms."

DFC may continue as merchant bank

By Terry Hall in Wellington

THE APPOINTMENT this week of a new statutory manager to run DFC New Zealand, the failed former government investment bank, is seen as a long-term initiative which could see it continue to operate as a merchant bank on a reduced scale.

Plans to restructure DFC are expected to be put before creditors soon. It is understood that the appointment of Mr Sandy Maier, the statutory manager who also assumes the position of chief executive, was approved by the DFC advisory committee, most of whom are Japanese, and other international creditors who are owed around NZ$2bn (US$1.16bn).

Mr Maier, a Yale law graduate, has worked for Citibank for the past 15 years and has headed its New Zealand operations since 1986. He replaces the two former statutory managers, Mr Don Francis and Mr Tom Davies of accountants Deloitte Haskins and Sells, and the acting chief executive, Mr Keith Sutton. All three are expected to work with Mr Maier. Mr Maier is to continue to operate under the Reserve Bank Act which instructs him to maintain public confidence and avoid damage to the financial system.

It is assumed that Mr Maier will continue the role of his predecessors in overseeing an orderly winding down that would achieve a 75 per cent return for investors. The process is expected to involve some sort of debt compromise, under which creditors would waive some of their investment in return for greater control of the company.

Some 3,000 smaller New Zealand investors would be paid out first, allowing a scheme of arrangement to be put in place which would stabilise DFC's finances and allow it to trade during the rundown. According to Mr Francis, the wind-down could take four years.

Crédit National advances due to increased activity

By George Graham in Paris

CREDIT NATIONAL, the French long-term credit bank, has reported a 60 per cent increase in net profits last year to FFr691m ($120.6m).

The bank, which lost the last of its privileges as distributor of state-subsidised industrial loans at the end of 1987, said it had experienced a considerable increase in activity last year, with new credit agreements increasing by 25 per cent to FFr33.3bn and drawings-down increasing by 35 per cent to FFr16.3bn.

Mr Paul Mentré, Crédit National chairman, said lending to the service sector had increased to account for nearly 40 per cent of his bank's activity. The industrial sector had diminished in importance for Crédit National, with the exception of the mechanical, motor, aviation and transport segment, with aviation finance particularly strong.

Crédit National's net banking income increased by 11 per cent to FFr1.95bn, while operating profits rose by 17 per cent to FFr845m.

The bank's principal subsidiaries – Financière St. Dominique, which provides equity and development capital to companies, and Domiball, in the leasing sector, improved their profits by 40 per cent and 60 per cent respectively.

Dupont-Denant, the stockbroker in which Crédit National raised its stake to 51 per cent, saw earnings fall due to difficult conditions in the bond market, in which it specialises, but remained profitable.

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to shareholders of record date March 31, 1990. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from March 27, 1990. Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depositary, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment.
Coupon No 13 will be used for collection of this dividend.

CITIBANK, N.A., London. March 22, 1990 Depositary.

INTERNATIONAL CAPITAL MARKETS

Deutsche Bank warrants issue warmly received

By Norma Cohen

DEUTSCHE BANK yesterday launched a DM500m offering of 10-year subordinated debt bearing warrants to buy shares in Daimler-Benz, and quickly increased it to DM600 due to fierce demand.

The deal allowed West Germany's largest bank to use its 28 per cent stake in the motor and industrial group to raise Tier II regulatory capital at an interest rate below that of the market.

INTERNATIONAL BONDS

The issue carries a coupon of 8 per cent and is priced at 107. Each DM5,000 carries seven warrants, each to buy one share of Daimler-Benz at DM1,000. Daimler-Benz's share price closed at DM901 yesterday.

Although technically a domestic issue, the bonds are being distributed via a sub-underwriting and selling syndicate of about 100 international banks.

Deutsche Bank has used the technique before, in 1988, to raise debt in the Swiss market bearing warrants to buy shares in Continental, the tyre maker. Then the bank thought the share price of Continental was depressed because the markets knew of Deutsche Bank's large equity holding in the company and feared a sale.

This time, the bank has acquired an option on Daimler-Benz shares and does not intend to reduce its holding. If all the warrants were exercised, shares allotted would total 1% per cent of the company's share capital.

Meanwhile, the offering was received enthusiastically, with the lead manager quoting the bonds with warrants at 122 to 123, way above launch price. Ex-warrant bonds were trading at 92¾ to yield about 9.3 per cent.

Eurosterling bond prices sank yesterday in line with losses late on Tuesday in the UK gilts market. Prices were further weighed down by comments yesterday from UK Chancellor of the Exchequer John Major that he would raise interest rates further if necessary.

However, Hambros Bank yesterday launched a £150m five-year floating-rate note for Woolwich Equitable Building Society which is putable after two years.

The issue carries a margin of 1/16 over the three-month London interbank offered rate (Libor) for the first two years, rising to 10 basis points thereafter.

In Switzerland, Hydro-Quebec issued a SFr100m 10-year private placement via Swiss Bank Corp bearing a coupon of 7½ per cent and priced at 101½. The issue was said to be well received and traded comfortably inside fees to co-managers at less 1¾ per cent bid.

Also said to be well received was an issue for SBC Luxembourg which was said to be trading at less ¼ bid. The final amount is expected to be SFr75m to SFr100m.

● Wood Gundy has withdrawn as a market maker from the Australian dollar sector of the Eurobond market, making three of its 29 staff in London redundant. The firm had ranked fourth or fifth in the sector in terms of market share.

Wood Gundy said that it intends instead to concentrate on Canadian dollar-denominated issues and on deals for Canadian borrowers, extending these activities to support Canadian dollar bond futures and options.

● The cost of servicing Turkey's foreign debt, including principal repayments and interest, is estimated at $7.02bn for 1990 after 1989's $6.8bn and 1988's $8.4bn, Reuter reports.

A Treasury official said foreign debt now represented 51.6 per cent of the annual GNP. The ratio was targeted to fall to 44.4 per cent by the end of 1990.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Woolwich Equitable B.S.(d)‡◆	150	1/16	100	1995	8bp	Hambros Bank
D-MARKS						
Deutsche Bank(e)#◆	600	8	107	2000	2/1½	Deutsche Bank
SWISS FRANCS						
Hydro-Quebec(a)★★◆	100	7½	101½	2000	2	SBC
SBC Luxembourg(b)★★◆	(b)	8	100½	1993	n/a	SBC
YEN						
Skopbank(c)◆	5bn	7¾	101⅞	1993	1⅞/⅞	Sanwa Int.
Skopbank(c)◆	8.6bn	7.80	101⅞	1995	1⅞/1⅛	Sanwa Int.

★★Private placement. ‡Floating rate notes. #With equity warrants. ◆Final terms. a) Non-callable. b) Amount expected to be between SFr75m and SFr100m. c) Call July 1991 at 100. d) 1/16 over 3-month Libor for first two years. Put option April 1992 at par. If put not exercised coupon pays 10bp over thereafter. d) Exercisable into shares of Daimler-Benz. Each DM5,000 bond has 7 warrants attached which can be exercised between May 1990 and March 1993. Exercise price: DM1,000 per share.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 21

US DOLLAR STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS: [illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Minolta Camera 2¼ 94DM	2/86	1004.	92¼	94	+0¼	11.92
MCA Inc 5½ 02 US	9/87	69.62	90¾	91½	−0⅞	22.18
Mitsubishi Bk. 3½ 04US	5/89	3266.	71⅞	72⅞	0	5.82
Next Plc 5½ 03 £	11/87	4.3	96¼	97¼	−0¼	319.68
[illegible] 2⅞ 03 US	4/88	804.	135¼	136¼	−2¼	−8.96
Omnicom Inc. 6 1/2% 04 US	10/89	28.	101⅞	102⅞	0	23.93
[illegible] 2⅞ 02 US	[illegible]	1318.	214	214½	0	0.73
[illegible] 4¾ 03 £	1/88	3.5	107	108	−1½	−0.28
[illegible] 7¾ 02 £	1/87	5.4	102¼	103¼	0	1.07
[illegible] 6¾ 03 £	10/89	4.41	61	61½	−0½	100.75
Silicon Graphics 8 04 US	10/89	23.18	165	166	+0½	−3.32
[illegible] Bank 3¼ 04 US	2/89	3897.	66⅞	67⅞	−0¼	12.94
Texas Inst. 2¾ 02 US	[illegible]	[illegible]	75¼	76¼	−0½	67.40
[illegible] 8 04 £	10/87	8.77	125¼	126¼	+1¼	224.51
W.R. Grace 6¾ 02 US	[illegible]	[illegible]	89	90	0	21.82

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Separatist talk costs Quebec traders dear

Renewed separatist sentiment in Quebec is starting to ripple through the financial markets, as the June deadline for Canada's Meech Lake constitutional accord looms and the dispute grows between the various signatories.

Mr Robert Bourassa, the Quebec premier, pushed the rumour mill into overdrive in January when he alluded to the possibility of a new political superstructure for Canada. His comments, coming at a time of extreme political sensitivity, have pushed the province's borrowing costs sharply higher since the beginning of the year.

The drama centres on the approaching deadline – June 23 – for ratification of the Meech Lake constitutional accord by Canada's 10 provinces. The principal aim of the accord is to bring Quebec into the constitutional fold. But the Quebec provincial Government has set five minimum conditions for joining, including the recognition of Quebec as a distinct society.

Ted Jackson in Toronto explains why the province's borrowing spreads have widened dramatically since the start of the year

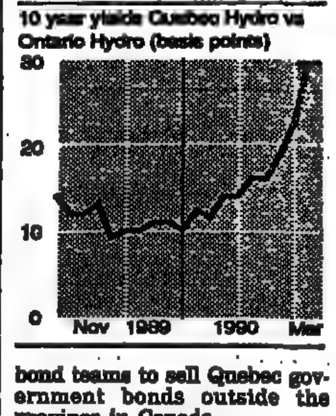
A number of other provinces, notably Manitoba and Newfoundland, have problems with different aspects of the accord, and their opposition has infuriated the Quebec provincial Government. In an internal memorandum, suggestive of the way Quebec separatist rhetoric is heating, the Bank of Montreal said the souring of the Meech Lake negotiations made the separation of Quebec from Canada all but inevitable.

The brunt of investor concern, both international and domestic, has fallen on the Quebec bond market, where longer dated yields have widened dramatically. Ten-year Hydro-Quebec Eurobonds now yield about 30 basis points more than Ontario Hydro 10-year Eurobonds, making the widest spread in many years. Six weeks ago the spread was 10 basis points.

It has become difficult, if not impossible, for institutional bond teams to sell Quebec government bonds outside the province in Canada.

Quebec's borrowing costs

10 year yields Quebec Hydro vs Ontario Hydro (basis points)



"It was late last year that the unloading first started," says a prominent manager of a Toronto bond desk. A Montreal-based Quebec government-bond trader says he has lately seen selling of Quebec bonds from "all over the world."

Although the Province of Quebec bond issue, floated in late February, was increased in size to US$500m from US$300m following strong demand, the province's borrowing costs in the Yankee market have risen relative to those of the other provinces.

Yankee bond traders say that over the past three weeks rates on Quebec long-term bonds have jumped about 20 basis points, whereas other provinces have seen their long-term borrowing costs rise just 10 basis points.

However, plenty of voices say the press reports have been exaggerated. "It's business as usual here," says an incensed Quebec government bond dealer. "Don't listen to what those guys in Toronto are saying."

A recent research report from Merrill Lynch, the lead manager to the recent Quebec Yankee bond issue, suggested that the long-term effects of an independent Quebec would be negligible on the province's economy as well as on US investor sentiment.

Other reports have highlighted the strength of Quebec's diversified economy, but none have quantitatively addressed the likely short-term consequences if Quebec decides to alter its relationship with Ottawa.

Mr Bourassa has increased this year's Quebec budget for the celebration of St. Jean Baptiste Day, Quebec's national holiday on June 24. And according to the poll released two weeks ago, which showed a record 58 per cent of Quebecers in favour of separation, feelings are running high.

Treasuries hit by profit-taking

By Janet Bush in New York and Andrew Freeman in London

US TREASURY bonds registered modest losses at midsession yesterday, reflecting profit-taking on the dollar as well as caution in advance of details of next week's sales of two-year and four-year notes.

Short-dated maturities were

GOVERNMENT BONDS

quoted as much as ⅛ point lower, while the Treasury's benchmark long bond stood ¼ point below Tuesday's close to yield 8.47 per cent.

The prospect of new supply next week, expected to total about $18bn, has kept pressure on the short end of the yield curve which has underperformed the long end, leading to a marked flattening of the yield curve in recent sessions. The curve is now inverted between the two-year and 30-year areas. The yield on the 8.5 per cent issue due to mature in 1992 was quoted at 8.64 per cent at midday.

The dollar was quoted at Y153.90 compared with an earlier high in New York of Y154.50, and at DM1.7060 from DM1.7115 earlier.

The mood was more cautious yesterday than on Tuesday when bonds rallied strongly in reaction to strength in the dollar and on strong Japanese demand. Traders were somewhat sceptical about Tuesday's price gains which came despite a discouraging consumer prices release for February.

Japanese stock and bond markets were closed yesterday for a national holiday, removing the key influence on the US market in recent weeks.

■ IN THE UK, government bonds settled after the sharp sell-off that followed Tuesday's Budget. Traders described the gilts market as soggy, but said it had recovered from its lows.

Overnight, gilts were around 2 points below their pre-Budget levels. Prices fell by a point after yesterday's opening, before the closing of short positions led to a mild recovery.

The benchmark 11¾ per cent gilt maturing 2003-07 was trading towards the close at around 97⅛, ½ point lower on the day to yield 12.15 per cent. At one stage it dropped to yield 12.2 per cent.

Sterling was vulnerable against other currencies.

■ THE WEST German government bond market had another lively day, with volatility more in evidence than clear direction as prices on the cash market were fixed around ¼ point higher than Tuesday's levels.

The benchmark 7¾ per cent Bund maturing in 2000 was fixed at 94.10 to yield 8.66 per cent, and later rose by another 10 pfennigs.

Trading was described as technical, reacting to the Daimler-Benz Eurobond issue and news that the Bundesbank was draining some DM4.8bn from the market in its latest repurchase allocation.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-30	-13/32	13.66	13.40	12.67
		10.500	5/99	88-12	-32/32	12.68	12.34	11.56
		9.000	10/08	80-14	-45/32	11.58	11.24	10.67
US TREASURY *		8.500	02/00	99-27	+04/32	8.52	8.67	8.64
		8.500	02/20	100-15	+02/32	8.46	8.67	8.57
JAPAN	No 119	4.800	6/99	88.2395	-0.069	7.29	7.38	6.68
	No 2	5.700	3/07	88.9405	+0.001	7.14	7.03	6.36
GERMANY		7.125	12/99	89.9700	+0.070	8.66	8.60	8.86
FRANCE	STAN	9.000	02/95	94.4813	+0.250	10.46	10.60	10.98
	OAT	8.500	03/00	91.8600	+0.550	9.81	10.03	10.40
CANADA *		9.250	12/99	90.7000	+0.360	10.82	11.02	10.46
NETHERLANDS		7.750	01/00	92.3000	+0.260	8.96	9.12	8.97
AUSTRALIA		12.000	7/99	92.4873	-0.647	13.42	13.52	13.28

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Record debt repackaging planned by Nomura

By Norma Cohen

NOMURA SECURITIES is understood to be preparing the largest-ever repackaging of highly leveraged senior debt, mostly of US corporations, for resale to investors.

Concern from banking regulators in the US and Japan, in particular, is encouraging lenders to look for ways to remove highly leveraged transactions from their balance sheets.

The sale of these debts to special-purpose companies, which buy them from banks with funds loaned by investors, is seen as the most promising route for those banks to rid themselves of this exposure.

The issuing vehicle to be established by Nomura, Restructured Assets backed by Senior Obligations (ROSA), is expected to issue some $800m of bonds, of which about 30 per cent will carry a Aaa credit rating from Moody's Investors Service. This tranche is expected to pay interest at about 30 basis points over London Interbank Offered Rates (Libor).

Another 50 per cent of the bonds will be rated A-3 by Moody's and is expected to pay interest at 75 basis points over Libor.

Finally, the issuing vehicle will sell equity, totalling about 20 per cent of the corporation's assets, that will give investors an interest in principal repayments on the loans.

Also said to be under way is a $140m offering of securitised highly-leveraged loans underwritten by Merrill Lynch.

Nomura's offering will not be the first to be backed by highly leveraged debt.

Continental Bank has privately placed three such issues of debt backed by commercial and industrial loans, the largest of which was a $344m deal completed last year.

None of the deals, however, were structured to include a Aaa-credit rating on any of the tranches and did not include a tranche for equity investors.

NZ Telecom sale in two tranches

By Janet Bush

NEW ZEALAND will privatise New Zealand Telecom in a two-stage transaction involving the sale of a stake to a strategic buyer or buyers followed by a public share offering in various countries.

First Boston, the Wall Street investment bank, is acting as adviser on both legs of the sale with Buttle Wilson, a New Zealand brokerage house.

First Boston is also expected to act as lead underwriter of the public share offering, scheduled for the second half of this year.

First Boston estimates that the privatisation could raise as much as US$2.3bn, a large transaction in the context of the New Zealand stock market which is capitalised at around $16bn.

The privatisation will be the first to employ the combination of a sale to a strategic buyer and a public share offering. The advantage of this approach is that a valuation can be established through the sale of a stake to a strategic buyer before the public offering.

"This formula may well become the model for privatisations in the 1990s," said the First Boston investment banker leading the advisory team. "It is a good way to maximise value."

Mr David Caygill, New Zealand Minister of Finance, announced the privatisation on Tuesday in the House of Representatives, saying that the proceeds of the sale would be used to achieve a substantial reduction of the public debt.

He said that a ceiling of 49.9 per cent would be imposed on the shareholding of any foreign strategic buyer or buyers and that any transfer of shares by these shareholders to a non-New Zealand company would require government approval.

A First Boston official in New York said that his firm and Buttle Wilson were already putting together the strategic sale. There has been interest in buying a stake from potential buyers in the US, Europe and Australia, particularly from telecommunications and telephone companies.

France approves consumer loan bond issue

By Andrew Freeman

THE FIRST bond issue secured by consumer loans was approved in France yesterday and will be launched early in April.

A joint venture between Bear Stearns, the US investment bank and brokerage house, and Crédit Lyonnais, the French bank, plans to launch a FFr1bn deal backed by consumer loans, originated and currently serviced by Crédit Lyonnais.

The issue is the first of its kind to securitise assets since so-called *titrisation* laws were introduced in France in December 1988, allowing the transfer and sale of financial assets. A previous deal late last year securitised a pool of brokers' loans.

The latest issue, known as *Fonds Commun des Creances* or CL FCC 90-1, will consist of FFr875m of Class A notes with an expected average life of one-and-a-half years, and FFr125m Class B notes which will carry a higher margin but will have no external credit enhancement. Indicated terms will be set after investors have been consulted on pricing.

The Class A notes, although described as a French domestic issue, will be extensively marketed to international investors. Up to half the issue may be placed outside France depending on demand. Crédit Lyonnais will initially retain all the Class B notes on its portfolio.

A pool of fixed-rate, personal loans with an average maturity of around three years provides the basis for the deal. The short-term maturity on the loans allows the short average life on the Class A notes.

A senior-subordinated structure gives credit enhancement to the Class A notes, which will also benefit from any prepayments. However, the notes have a low sensitivity to prepayment rates.

"We deliberately made this a fairly simple deal because European investors are not as familiar with risk assessment as investors in the US," says Mr Blaine Roberts, senior managing director of Bear Stearns. "As the French asset-backed market matures, we anticipate that a wide variety of loans will be packaged."

French banks have not rushed to take advantage of the new law to securitise their loan books. The law only authorises credits of more than over two years, thus ruling out many consumer loans, while home loans, the obvious candidates for securitisation, yield too little in France to interest investors.

● The Woolwich Building Society has announced a $750m US commercial paper programme and said the funding would cost less than a current sterling equivalent.

Shearson Lehman Hutton is the sole dealer, while Morgan Guaranty Trust Company is acting as issuing and paying agent.

BTR 'acquires' $1.5bn to fund hostile Norton bid

By Andrew Freeman

BTR, the UK industrial conglomerate, announced a $1.5bn short-term acquisition financing to fund its $1.64bn hostile bid for Norton, the US ceramics and plastics manufacturer.

The 364-day facility is fully underwritten by Barclays Bank and is now in general syndication via Barclays Syndications in London. The financing is designed so that while it is undrawn it can be held off balance sheet by banks, and therefore requires no capital adequacy provisions. If and when the bid becomes unconditional and the facility is drawn, its maturity will have shortened considerably.

Although Barclays officials would not comment, the facility is thought to carry a margin of 15 basis points over Libor, with a 4 basis point commitment fee. There are no front end fees.

Barclays is seeking minimum commitments of $25m for managers, $50m for lead managers and $100m for senior lead managers.

Initial reactions from bankers suggested that the margin was relatively tight given the nature of the financing and the lack of front-end fees.

Canadian retail securities firms in talks on merger

By Bernard Simon in Toronto

TWO Canadian securities firms that have recently been in the red are discussing a merger.

Midland Doherty Financial said yesterday that "no transaction has been agreed upon" in talks with Walwyn. A local newspaper report said that a third party might be involved.

Both firms specialise in the retail securities business, where revenues and profits have tumbled as investors have shied away from the stock market. Midland suffered a C$1.7m (US$1.45m) loss in the nine months to the end of 1989, on revenues of C$161.2m, while Walwyn's loss for calendar 1989 was C$5.3m on revenues of C$76.2m. The two firms have a combined workforce of about 1,500 people.

Midland's largest shareholder is Unicorp Canada, a financial and industrial conglomerate. Walwyn is controlled by Fairfax Financial, a Toronto-based financial services group.

The two groups have been through several upheavals in recent years, including changes in ownership and senior management. Midland has taken parts of several failed securities firms under its wing.

BSB gives details of development finance

By Andrew Freeman

BRITISH Satellite Broadcasting, the television company set up to rival Mr Rupert Murdoch's Sky Television, yesterday gave further details of two financings announced some time ago as part of its on-going development programme.

Barclays Bank confirmed the launching of a £450m eight-year project loan which will move into general syndication on Friday. The facility carries an initial margin of 2 per cent over London interbank offered rate (Libor), reflecting its risky nature.

As BSB gains subscribers for its television services and returns on the project increase, the margin will be reduced in a series of pre-determined stages.

There is a 1 per cent commitment fee on undrawn portions, as well as front-end fees of between ½ and 1 per cent depending on commitments.

Underwriting of the project loan is already completed, with Barclays as the arranger, National Westminster and IBJ as co-arrangers. Other participants are Union Bank of Switzerland, Fuji Bank, Amro and CIBC.

BSB also announced that syndication of a £450m three-year sub-ordinated loan has been completed by Barclays Bank. The loan carries a margin of 30 basis points over Libor and an initial guarantee from BSB's four main shareholders, which include Pearson Group, owner of the Financial Times.

Inco offers stake in Indonesian unit

INCO, the Canadian mining and minerals processing company, put up for sale a stake in its Indonesian subsidiary in an international offering which takes advantage of recent liberalisation of the Indonesian stock markets.

The offering of 14.9m shares in P.T. Inco is the second since the rules were changed. Inco is also selling 34.8m shares domestically, thus reducing its stake in the company to 58.2 per cent.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Wednesday March 21 1990

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	91	5
Corporations, Dominion and Foreign Bonds	1	10	15
Industrials	214	613	763
Financial and Properties	136	296	335
Oils	19	43	29
Plantations	0	1	9
Mines	[illegible]	[illegible]	66
Others	119	[illegible]	97
Totals	530	1,093	1,319

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

LONDON TRADED OPTIONS

TURNOVER was given a boost yesterday by the expiry of March stock options, while busy trade in Rolls-Royce equities prompted a brisk two-way market in its options.

Total market volume stood at 42,977 contracts, of which 24,234 were calls and 18,743 were puts. Yesterday's total compared with 33,549 on Tuesday. Analysts said they reckoned around a third of the day's turnover was accounted for by business related to the expiry of March options. Investors had closed expiring contracts, while others had opened positions in other forward months. The importance of expiry business was shown by the turnover of five most active stocks, four of which had March as their busiest series.

The other main feature of the day was provided by Rolls-Royce, as active dealing in the underlying securities made it the busiest stock options. Dealers noted call selling of June 160 and 180 calls, and buying of March 180 calls, June 160, 180 puts, and 200 calls.

Trading was boosted by switching out of March and into June contracts. Also observed was call selling against stock purchases, as investors increased their holding of equities after Rolls-Royce's recent results.

Rolls-Royce traded 4,936 option contracts. This was divided between 4,122 calls and 814 puts. The June 180 call series was the busiest, as 1,617 lots changed hands. In the stock market, Rolls-Royce closed unchanged at 188p, trading 6.7m shares.

The FT-SE 100 index was also busy, with 8,415 contracts traded. This was divided between 1,820 calls and 6,595 puts. Attention was focused on the futures market, where March FT-SE contract traded a discount for most of the day. March FT-SE closed at a one point discount to the cash index, as some late buying closed an earlier 7 discount.

Among stock options, the Water Package turnover was helped by expiry trades. A total of 2,791 contracts changed hands, of which 1,591 were calls and 1,200 were puts.

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Ultramar (*365)	360	22	38	50	10	17	20
	390	7	22	33	30	33	40

Option		Calls Mar	Jun	Sep	Puts Mar	Jun	Sep
Amstrad (*59)	50	9	13	17	½	3	5
	60	½	8	10	2	6	8
Barclays (*566)	550	18	46	60	2	13	20
	600	1	18	35	37	38	45
Blue Circle (*218)	200	20	24	–	1	6	–
	220	1½	12	21	2	16	19
British Gas (*212)	200	12	22	25	¼	4	6½
	220	¼	10	12	8¼	12	16

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

TRADITIONAL OPTIONS

● First Dealings March 19 ● Last Dealings March 30 ● Last Declarations June 21 ● For settlement July 2

UK COMPANY NEWS

Largest increase in profits from inorganic and organic speciality products

Growth in subsidiaries lifts Laporte 12%

By Clare Pearson

LAPORTE, the speciality chemicals company, yesterday unveiled a 12 per cent increase in pre-tax profits to £107m in the year to end-December. Turnover was up from £516.3m to £616.3m.

Before exceptional items, the profits increase was 17 per cent to £100.3m (£85.6m). The net effect of land disposals and businesses reorganisations and redundancies last year was a credit of £6.7m, against £9.7m in 1988.

After a slightly lower tax charge at 34.1 per cent (36.5 per cent), earnings per share were 50.4p (43.4p). The final dividend is lifted to 10.7p, making 22.9p (18.9p) for the year.

The result reflected strong growth in the subsidiaries while Interox, the peroxygens business jointly owned with Solvay, resumed profits growth after falling back in 1988.

On the current year outlook, Mr Ken Minton, chief executive, said: "We have a strategy of increasing earnings by about 15 per cent per annum, and I see no reason to change that target."

Laporte's share of Interox's profits rose to £33m (£31.6m). This was after higher fixed costs associated with capital expenditure to expand hydrogen peroxide capacity in overseas markets.

Interox enjoyed continued buoyant demand for hydrogen peroxides. The perborate business revived thanks to a stabilisation of the market penetration of liquid detergents in Europe.

Helped by a big acquisition in Canada, and very strong demand for organic chemicals, the biggest profits increase came in inorganic and organic speciality products. Here pretax profits rose to £19.2m (£10.8m) while margins firmed to 20.2 per cent, up from 14.1 per cent.

Absorbents and building and timber products produced pretax profits of £12.5m (£11.1m) and £13.9m (£13.1m) respectively. All the smaller subsidiaries, apart from trading, improved profits.

Capital expenditure in subsidiaries, largely funded by internal cash flow, amounted to £39m. Some £41m was spent on acquisitions. Laporte has this year added to its environmental division with the £23m purchase of Reddish Savilles, a detergents and brewing aids company, from Brent Chemicals International.

● COMMENT

It is not hard to see why Mr Minton is sticking firmly to his 15 per cent earnings growth target this year. First it is now clear that, after more than two difficult years, Interox has turned the corner; there are, indeed, encouraging signs of a trend towards increased use of peroxygen-based bleaches in the US. The geographical spread of the company is comforting since two thirds of it is based outside the UK, and liberally spread around the world at that. Aside from those, say, in building products, many of Laporte's customers are hardly in the front line of economic changes; the company continues to make headway in reducing costs. Add to that signs of some recovery this year in electronic chemicals and services and it is easy to see pretax profits, excluding exceptionals, rising to about £113m. Helped by a lower tax charge, earnings should outstrip that increase. On a below-market average prospective multiple of about 9.5, the shares are somewhat undervalued.

Alan Harper

Dick Dickinson (left), finance director, and Ken Minton – a strategy of increasing earnings by about 15 per cent per annum

Budgens agrees sale of 51 shops for £12.5m

By Maggie Urry

BUDGENS, the food retailer, has agreed the sale of 51 small shops to Betta Stores, a newly-formed company, for £12.5m plus stock of £2m. The deal will leave Budgens with 92 shops with an average size of 4,500 sq ft.

The sale is in line with Budgens' strategy of concentrating on larger shops in which it can operate its new trading formula.

Of the 92 shops, 75 have now been revamped and Mr John Fletcher, chairman and chief executive, said the remainder will be done over the next few months.

Betta Stores is headed by Mr Tony Sanderson, who was chief executive of Circle K convenience stores until last autumn.

He plans to run the shops, all but one under 4,000 sq ft, as neighbourhood stores.

Betta Stores will have a two-year supply deal with Budgens, enabling it to benefit from Budgens' buying power and its distribution system.

Budgens will receive £10.5m cash and the £2m for the stock initially. The other £2m will be a secured subordinated loan to Betta Stores, repayable by 1994.

Mr Fletcher said the sale would reduce Budgens' debt, which is about £32m, reducing the group's gearing level perhaps to under 50 per cent by the April year end.

He is also hopeful of raising money from the group's old depot in Ruislip, west London.

He said the effect of the sale on Budgens' profits would be slightly negative in the short term, but the smaller stores were less profitable than the larger ones, and profits would be boosted in the longer term.

There should be no significant property profits on the sale.

Betta Stores is being financed by £4.75m of equity capital underwritten by Lloyds Development Capital and a £7m loan from Bank of Scotland.

Budgens will have an option to buy 5 per cent of Betta Stores if it is taken over or goes public.

Rosehaugh £125m rights success with 96.9% acceptances

By Paul Cheeseright, Property Correspondent

ROSEHAUGH's plea for a cash injection of £125m from its shareholders was answered yesterday when it was announced that acceptances for its deeply discounted one-for-one rights issue reached 96.9 per cent.

The balance – 1.9m ordinaries not taken up – have been sold in the market at a premium.

The rights issue, a symptom of the financial pressure faced by highly geared property companies from current interest rates and quieter demand for space, staves off Rosehaugh's immediate liquidity problems.

Borrowings on the balance sheet will be reduced from £410m to £285m and could be cut back further if property sales are made.

Also Rosehaugh, at the centre of a sprawling web of associates and subsidiaries, has been tightening up its management.

Although some City analysts doubt whether the cash infusion is adequate, Rosehaugh has been saying that it remains comfortable even if it does not sell another property for a year. Speculation that Rosehaugh will at some stage sell its share of the Broadgate office complex in the City to Stanhope Properties, its joint venture partner, refuses to go away.

The rights issue was priced at 200p per share, compared with 465p just before the issue announcement. The price was pitched at a level at which it would have been difficult for the institutions not to buy and the issue was not underwritten. Yesterday the shares gained 2p to 252p.

Pembridge sells DRG's cartons side to Manville

By Vanessa Houlder

PEMBRIDGE INVESTMENTS, the Bermuda-based vehicle that last year took over DRG, the paper and packaging company, has agreed to sell the cartons business to Manville Corporation, the US building materials and forest products group, for an undisclosed sum.

This is the third sale announced by Pembridge since it took over DRG in a contested £697m bid last November. It intends to sell off all the subsidiaries except the speciality packaging businesses.

Mr Martin Franklin, who is directing Pembridge's divestment programme, said that Manville would give the business the commitment and investment it needed to compete effectively in the European market.

Manville said that DRG Cartons would help it expand the international marketing position of Manville Forest Products subsidiary. It said it would retain the existing management and continue with present employment conditions.

DRG Cartons, which is the third largest folding carton company in the UK, has sales of about £38m. It employs 620 people in Bristol and serves the frozen food, confectionery and detergent markets.

In the last fortnight Pembridge has also announced the sale of Papeterie de la Couronne, a French envelope maker, to funds advised by LBO France. Spectral Technology Group, a ultraviolet lamp and print-drying specialist, has been sold to a consortium consisting of some of its management and those of Colordry, a rival print-drying specialist.

Manville, which is primarily involved in fibreglass and forest products, has been seeking opportunities in Europe partly because of the weaker prospects for the US construction industry. It has also been focusing on the packaging industry because of its fragmented nature.

Manville emerged from Chapter 11 bankruptcy proceedings in November 1988 and is now 80 per cent owned by trusts set up to pay asbestos-related claims that caused the 1982 bankruptcy filing.

High interest rates peg Mowat to £854,000

By Andrew Hill

HIGH INTEREST rates hit profits at Mowat Group, the USM-quoted property and leisure company, in the six months to December 31, when it made £854,000 before tax.

Mowat has changed its year-end to June 30, making comparison with the last reported interim period difficult. In the six months to September 30 1988, the group made £2.04m before tax.

However, Mr Brian Taylor, chairman, said yesterday that although operating profits had risen in the first half, interest charges of £2.35m had cut the pre-tax figure by about half on a like-for-like basis. In the previous reported six-month period interest charges were £1.06m.

Turnover was £14.8m, against £13.6m, and earnings per share were 0.64p (1.63p). The An unchanged interim dividend of 0.5p was declared.

Mr Taylor said that in spite of the downturn in residential and commercial property, the demand for rental property had remained buoyant and Peerglow Homes, Mowat's housing subsidiary in the north-west of England, had continued to enjoy record levels of public interest.

"We have taken the same hit that everybody else has from interest rates, but our operating margins have held up very satisfactorily," he said.

Mr Taylor said Mowat's holiday parks were well placed to take advantage of the surge in the UK holiday market. Revenue was already up by more than 70 per cent in the current season, he said.

The board had estimated the asset backing of the company at about 70p per share, added Mr Taylor, compared with yesterday's closing price of 32p, down 1p.

Fleming plans to convert fund

By Nikki Tait

IN AN unusual reversal of normal trends in the investment trust sector, Robert Fleming, the investment banking and fund management group, yesterday announced plans to turn one of its offshore open-ended funds into a listed investment trust.

Fleming said that it believed this was the first time that an open-ended fund – where new units are issued regularly to investors wishing to put money into the fund and bought back from those wanting to sell – had been turned into a closed-end trust, where the capital structure is fixed.

There have, by contrast, been many moves in the opposite direction, as fund managers and predators have tried to eliminate the traditional investment trust discount.

The price of units in an open-ended fund is directly related to the underlying net asset value, whereas the price of investment trust's shares can vary significantly from this figure.

Fleming conceded that the circumstances in this case are unusual. The open-ended fund, Fleming European Fledgling Fund, specialises in holding stakes in smaller European companies and this policy will be continued once it becomes an investment trust.

In contrast to many investment trusts, specialist European funds have tended to trade close to, or even at a premium to, underlying net assets.

Fleming claims that this enthusiasm for European trusts did not exist when it launched the fund in 1987. It would, therefore, have been difficult to launch a new closed-ended vehicle at that stage.

Now, fund managers say that they see an advantage in having a stable investment portfolio, which will not have to adapt to regular inflows and outflows of money.

This is partly because the fund is already invested in some relatively illiquid stocks and markets, and also because fund managers anticipate investment opportunities in unquoted securities in eastern Europe.

To effect the change, the open-ended fund – which had assets of \$50.3m (£31.5m) at March 16 – will be put into liquidation. It will then be acquired by the newly-formed trust company, which will issue shares and warrants to investors.

Investors will receive five shares and one warrant – exercisable into one share at 100p between 1994 and 1997 – in the new trust for every 500p of net assets attributable to their existing holdings. No new money is being raised in the process.

The shares of the new trust will be introduced to the market on April 24.

UK COMPANY NEWS

Contribution from Farmers Group more than covers the cost of the acquisition

BAT advances 24% to over £2bn

By Nikki Tait

BAT INDUSTRIES saw pre-tax profits rise to £2.04bn last year, a 24 per cent increase on the £1.64bn reported for the previous twelve months.

Total group turnover rose by 23 per cent to £21.64bn, and earnings per share were up by 22 per cent at 76.75p. BAT's pledge on higher dividend payouts brings a final payment of 10.4p a share, making a total of 30p for the year. This is 49 per cent higher than in 1988.

Profit comparisons, however, are affected by the inclusion of full-year figures from Farmers Group, the California-based insurance company which BAT acquired at the end of 1988, for the first time, and also by currency movements.

BAT said yesterday that, on constant exchange rates, the pre-tax profit increase would have been reduced to 16 per cent, with group turnover rising by 13 per cent.

Farmers, meanwhile, contributed £327m to trading profits, with BAT saying that this figure "more than covered" the financing costs involved in the acquisition. Farmers was treated as being acquired at end-December 1988 and, therefore, made no contribution to profits in the previous year.

Of the group's total operating profit of £2.2bn (£1.6bn), BAT said that £1.23bn (£1.08bn) came from commercial activities; £730m (£378m) from financial services and £238m (£198m) from its shares of associated companies' profits.

Among the commercial activities, the trading profit from tobacco was 25 per cent higher at £945m. BAT said that, overall, its own cigarette volumes rose by 2.1 per cent, while world markets increased by 1.6 per cent.

In the US, its Brown & Williamson subsidiary estimated an unchanged domestic total market share – at 11 per cent – but claims a strong performance for Viceroy, its low-price cigarette, as well as Capri and Richland.

One difficult area was Brazil, where increased sales taxes and accelerating inflation brought a "substantial trading loss in dollar terms". However, BAT said that this gave a misleading impression of Souza Cruz's contribution to group results, with the related strong growth in investment income more than making good the loss.

In financial services, the reciprocal insurance exchanges managed by Farmers saw a 7.5 per cent increase in net premiums written.

BAT said that in spite of the Californian earthquake claims – $75m before allowing for reinsurance arrangements – and $60m of weather losses in the south-western states, the Exchanges' surpluses rose marginally. BAT said that it sees no need to top up these surpluses in the foreseeable future.

Eagle Star contributed £294m to group trading profit, only marginally ahead of 1988. A £75m increase in investment returns was offset by deteriorating underwriting results. These included a $25m provision for 1990 storm damage.

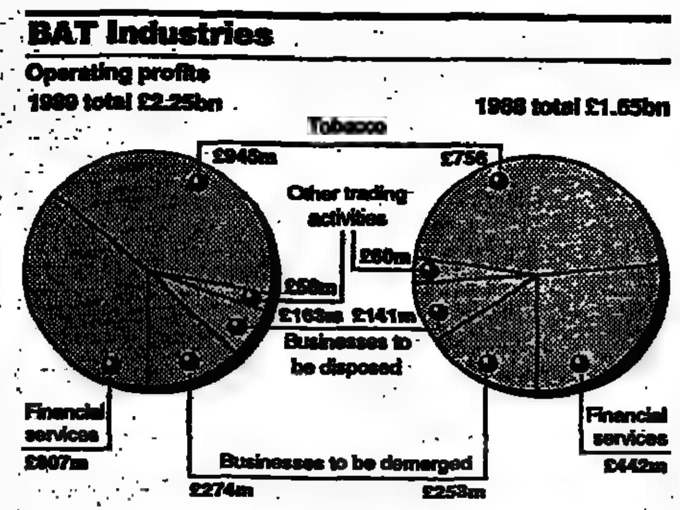
Allied Dunbar fared more happily, with its contribution to trading profits increasing by 27 per cent at £107m.

Among the businesses which BAT plans to sell or demerge as part of its defensive restructuring, the US retail operations saw overall profits rise by 10 per cent, with the Iveys chain returning to profit and losses at Breuners "much reduced". In Germany, Horten's trading profit was still hit by store closures and conversions, but Eurotec had "a very good year."

Of the companies to be demerged, Wiggins Teape Appleton made £211m, thanks largely to an 8 per cent trading profit increase at US-based Appleton. Wiggins Teape saw a profits decline, which BAT blamed on highly competitive paper markets and pulp price rises. Argos, as revealed last week, made £63m at the trading level.

Interest paid by BAT last year totalled £398m (£213m) – reflecting the borrowings taken on to purchase Farmers. The net debt/equity ratio was 46 per cent at the year-end, compared with 66.5 per cent immediately after the Farmers acquisition.

Below the line, there is a £123m (£15m) extraordinary surplus. This represents the costs of defending against Sir James Goldsmith's Hoylake consortium and rationalising the European tobacco business, offset by the gain from the Amatil restructuring in Australia.



Directors announced for new Wiggins company

By Maggie Urry and Nikki Tait

WIGGINS TEAPE Appleton, the company being formed by the merger of BAT's two paper businesses and which is due to be demerged from the group on June 1, has announced some of its board appointments.

Mr Stephen Walls, who had earlier been appointed chairman and chief executive, has made Mr Ian Kennedy, managing director of Wiggins Teape, and Mr Gordon Bond, chief executive officer of Appleton Papers, executive directors.

Mr Tony Isaac will be finance director – he comes from GEC Plessey Telecommunications where he had worked with Mr Walls.

Mr Walls said the appointments gave the board a balance between long-term paper experience and an outside perspective.

One of three proposed non-executive directors was also named yesterday. He is Mr Ian Tegner, former finance director of Midland Bank.

Patrick Sheehy: inflation and increased sales tax in Brazil meant a substantial trading loss in dollar terms

Meanwhile, BAT has appointed Mr Leo Denlea and Mr Ray Pritchard to the main board.

Mr Denlea is chairman and chief executive of Farmers Group, the US insurance subsidiary of BAT, which the conglomerate acquired in late-1988. Mr Pritchard is head of Brown & Williamson, its US tobacco operation.

As part of its asset disposals and demergers BAT has effectively dismantled its BATUS holding company in the US.

Operating companies will now report directly to BAT, and the latest board appointments are designed to reflect the new structure.

Nobo forecasts downgraded

By John Thornhill

NOBO Group, the visual aids and office equipment company, said yesterday that market expectations of the group's results were "over optimistic."

Analysts had previously been looking for pre-tax profits of £2.4m for the year to April 30 1990 but they have now downgraded their forecasts to £1.7m.

The announcement came after the stock market's close but Nobo's shares were 1p down yesterday at 143p.

The company said its Budgie and Velos-Perforex subsidiaries had been affected by high interest rates and were producing results below budget.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Arcolectric	fin	0.48	May 10	0.52	0.96	0.96
Bowthorpe Hldgs	fin	3.59	July 2	2.74	5	4
Britannic Ass	fin	14.25	May 17	11	20.75	16.5
British Mohair	fin	7.1	May 31	6.6	8.5	8
Gabicci §	fin	1.4	May 25	1.4	-	4
Hibernian Group	fin	3.3♦	-	2.9	4.6	4.3
Johnson Cleaners	fin	16.7	May 8	17.9	25.7	23.1
Kerry Group A §	fin	1.33♦	-	1.21	2	1.82
Leporte	fin	10.7	May 23	8.7	16.5	13.7
Matthews (B)	fin	2	May 11	1.5	3	2.5
Mowat	int	0.5	July 3	0.5	-	1.5
Renishaw	int	2	Apr 30	1.4	-	4.2
Schroders	fin	29	May 11	15.5	35	26.5
Sharpe & Fisher	fin	2.5	May 25	1	4	1
Shoroc §	fin	2.6	May 25	2.08*	4.5	3.75*
Tibbett/Britten	fin	5.1†	May 29	4.1	7.5	5.5
Wid of Leather	fin	0.8	May 17	3.7	1.5	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♦Irish pence throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Caird, Cramphorn, [illegible]

Finals- [illegible]

FUTURE DATES

[illegible]

IN BRIEF

CLINTON CARDS has agreed to buy Selectacard for a total effective consideration of £750,000, satisfied at completion as to £50,000 by the issue of 21,000 new Clinton ordinary and the balance in cash. In the year to end-August, Selectacard made a loss of £30,596 on turnover of £1.7m.

MILLWALL HOLDINGS: Its offer for Tavern Leisure has been accepted in respect of 20.77m shares (80.42 per cent) bringing its stake to 22.7m (87.87 per cent).

MURRAY LAWRENCE Group and BPC Underwriting Agencies have agreed in principle to merge their respective underwriting agency businesses, subject to the completion of formal legal agreements and any necessary approvals from Lloyd's.

POWELL DUFFRYN has acquired the railway engineering interests of Cadoux International of France for an undisclosed sum.

PUBLIC WORKS LOAN BOARD RATES

Effective March 21

Years	Quota loans repaid: by EMP‡	At††	at maturity§	Non-quota loans B* repaid: by EMP‡	At††	at maturity§
1	-	-	15	-	-	15¾
Over 1 up to 2	14⅞	14¾	14¾	15⅞	15¾	15
Over 2 up to 3	14½	14⅜	13⅞	15½	15⅜	14⅞
Over 3 up to 4	14⅛	14⅛	13½	15⅛	15⅛	14½
Over 4 up to 5	14	13⅞	13¼	15	14⅞	14
Over 5 up to 6	13¾	13⅝	13	14¾	14⅝	13½
Over 6 up to 7	13½	13⅜	12⅞	14	13⅞	13⅜
Over 7 up to 8	13⅜	13¼	12¾	13⅞	13¾	13⅜
Over 8 up to 9	13¼	13⅛	12⅝	13¾	13⅝	13¼
Over 9 up to 10	13⅛	13	12½	13⅝	13½	13⅛
Over 10 up to 15	12¾	12⅝	12	13⅜	13¼	12½
Over 15 up to 25	12¼	11¾	11½	12⅞	12¼	12
Over 25	11⅝	11⅝	11⅜	12⅝	11⅝	11⅜

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. ‡Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Red meat blamed for fall in Bernard Matthews profit

By Clay Harris, Consumer Industries Editor

BERNARD MATTHEWS, the turkey and meat products group, yesterday reported pre-tax profits of £9.11m for 1989, the third consecutive year in which profits have fallen.

The Norfolk-based company is raising its final dividend to 2p to make a total of 3p (2.5p), even though with earnings per share at 4.5p (5.33p), this reduces cover to 1½ times.

Mr David Joll, chief executive, said the higher dividend reflected "cautious optimism" about the current year.

The 11 per cent decline in profits from £10.24m came on turnover only £550,000 higher at £135.76m. The company's sales have been stuck within £1m of this figure since 1986.

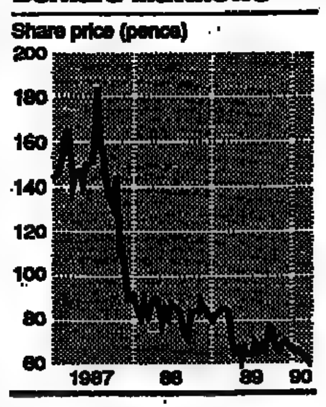
Mr Bernard Matthews, chairman, said sales and profits from turkey meat and added value products rose in the year in spite of a significant first-half decline in demand because of food scares. Red meat was responsible for the fall in profit.

The company is trying to emulate the success of its turkey mini-Kiev with similar fish-based products launched earlier this month. They are Golden Fishies, a fish-shaped fish finger, and Sea Pearls, a crumbed fish filled with sauce.

The interest charge nearly doubled to £1.09m (£0.59m), but borrowing had been eliminated by the end of the year, Mr Joll said. The tax charge rose from 34.3 to 37.8 per cent.

Mr Joll said Matthews had no intention to irradiate its turkey meat once the process is approved by the Government. The company was influenced above all by marketing concerns, and the overwhelming evidence was that consumers did not want to buy irradiated meat, he said. Its own flocks were not infected with salmonella or listeria, he added.

Bernard Matthews



● COMMENT

After unsuccessful detours, Bernard Matthews has returned to the business it knows and does best: the integrated production of turkey from egg to sauce-filled fillets. This gives every reason to believe that it has turned the corner after the disappointments of the late 1980s. On whole birds, the weakest sector in the turkey business last year, Matthews was hurt by the death throes of Butterball. This was not an underground Disney film, but how Mr David Lang of Henderson Crosthwaite describes the disruptive pricing of a competitor which has since been bought and had its processing plant closed by Hillsdown Holdings. Assuming pre-tax profits of £11.5m this year, the shares stand on a prospective p/e of just under 11. The main task in 1990 will be to blast sales away from their four-year plateau. This will require heavy advertising spending, so costs will have to be attacked elsewhere.

Britannic buoyed by pensions and equity markets

By Patrick Cockburn

THE SURGE in pensions and the strong performance of equity markets in 1989 were behind a 15 per cent improvement to £15.36m in net profits at Britannic Assurance, the home service life insurer.

The dividend for the year is increased 25 per cent from 16.6p to 20.75p via a proposed final of 14.25p (11p).

"We've had a good year because of the growth in personal pensions and because a very high proportion of our assets are in equities," said Mr Brian Shaw, general manager, of last year's results.

He said that Britannic's dividend increase was determined by its results rather than fear of a bid. However speculative interest looks likely to guarantee dividend growth in future.

Following the lead already given by Prudential and Refuge, Britannic said it was raising the proportion of surplus going to shareholders, as opposed to policyholders, towards 10 per cent over the next few years.

Given its size, Britannic has been highly successful in selling its new-style personal pensions, though it does not expect the growth seen over the last two years to continue at the same level in 1990.

The company's 3,200 full-time agents based in 250 local offices give it a good and dependable distribution network. It is therefore free of the worries of companies traditionally more reliant on independent intermediaries to sell their product.

Mr Shaw also made the point that Britannic has 70 per cent of its £3bn assets in equities, a higher proportion than for almost any other insurance company.

As a home service insurer Britannic in many ways resembles Pearl Group, taken over by Australian Mutual Provident last year. But with 30 per cent of its shares in friendly hands and a generous dividend policy, the chances of a successful bid look considerably thinner.

The company's small general insurance business produced an underwriting profit of of £754,000 last year. Early indications show that net cost of the January and February storms may amount to £1.5m.

Net premium income was £267.8m (£198.4m), almost all the increase coming in the ordinary branch where premiums doubled to £124.3m. Earnings grew to 24.8p (21.55p) per share.

Dolphin warns of downturn after gales

By Clay Harris, Consumer Industries Editor

DOLPHIN MEDIA, the outdoor poster contractor, said gales in January and February demolished 10 per cent of its advertising panels, mainly in London and south-east England.

As a result of this damage, coupled with the lower demand for advertising, profits in the six months to March 31 would be severely reduced and fall below the £107,000 trading result reported at the interim stage in 1988-89.

Dolphin is the third largest UK contractor for 48-sheet (20ft wide by 10ft high) posters after MAI and Arthur Maiden. The Manx company's shares are traded on a matched-bargain basis under Rule 535(2).

Under normal conditions, Dolphin said, it would expect to generate 25 per cent of annual earnings in the first half.

Mr Simon Williams, chief executive, said he expected full-year trading profits to show a considerable increase, but interest costs would be substantially higher than expected.

Grampian in W German buy

Grampian Holdings has acquired Meca, an animal health business situated in Goch, West Germany.

The purchase consideration was DM5.37m (£1.96m) cash. Of the total, DM3.25m was paid on completion with the balance of DM2.12m being paid interest free in two equal instalments on the first and second anniversaries.

For the year to December 31 last, Meca had a turnover of DM10.15m and pre-tax profits of DM346,500.

Net assets at that date amounted to DM1.1m.

Mr Bill Hughes, Grampian's chairman, said the acquisition was a first step in a European development programme.

NEWS DIGEST

43% rise at Tibbett & Britten

TIBBETT & Britten Group, which provides transportation and distribution services to the clothing and retail industries, reported a 43 per cent improvement in profits in 1989.

On turnover up 48 per cent at £101.47m (£68.67m), taxable profits climbed to £9.06m (£6.32m). Interest payable fell to £76,000 (£700,000). Earnings grew to 18.7p (15.3p) and the final dividend is raised to a recommended 5.1p for a total of 7.5p (6p) for the year.

Tibbett said that its net asset value at the year-end was more than £40m (£18m) and that at that time the cash balance was £5.9m and gearing less than 14 per cent.

World of Leather plunges into losses

In common with other retailers, particularly in the furniture sector, World of Leather experienced a difficult trading year. From profits of £2.06m, it tumbled to losses before tax of £88,000.

The USM-quoted company said that high interest rates had caused a decline in consumer spending, resulting in turnover slightly down at £23.16m (£23.34m). It added that the difficult trading conditions had continued into 1990.

Losses per share were 0.8p (earnings 16.8p) and the proposed final dividend is a sharply reduced 0.8p (3.7p) for a total of 1.8p (4.5p) for the year.

English & Scottish net assets increase

English & Scottish Investors increased net assets per share to 165.1p at the end of January 1990, against 147.3p a year earlier.

Net revenue for the year rose from £2.48m to £2.66m, after tax of £1.02m (£1.05m). Earnings per 25p share were 3.29p (3.6p) or 3.26p (3.03p) fully diluted. Last month, the company announced a second interim dividend of 2.1p (1.85p) for a total of 2.75p (2.5p).

Gross revenue climbed from £4.48m to £5.79m.

Modest advance for Hibernian

Hibernian Group, the Dublin-based insurance group, raised pre-tax profits by a modest 5 per cent from I£13.07m to I£13.68m (£13.4m) in 1989.

Premium income grew 14 per cent to I£126.57m (I£110.97m), while underwriting losses increased from I£10.22m to I£10.43m. There had been some seasonal weather claims and serious losses in the motor account in Ireland.

In the short term, motor underwriting in Ireland was expected to remain difficult.

Investment income rose to I£24.11m (I£23.29m). After tax of I£5.95m (I£6.24m), earnings per share were 15.3p (13.6p). The proposed final dividend is 3.2p for a total of 4.8p (4.3p) for the year.

Interest rates hit Arcolectric

Arcolectric, which makes electric switches and neon signal lamps, went sharply into reverse last year with pre-tax profits tumbling from £612,940 to £217,225 on turnover marginally lower at £9.79m, compared with £10.16m.

Indication of the downward trend could be seen in the October interim report and Mr Rodney Collier, chairman, said that profits in the year to December 31 suffered from high interest rates and increased overheads.

After tax of £66,299 (£209,675) earnings per share emerged at 2.26p (6.04p); the dividend total is maintained at 0.96p with a proposed final of 0.48p (0.52p).

UK COMPANY NEWS

Tate gives commitment to cane sugar refining

By Clay Harris, Consumer Industries Editor

Neil Shaw: Tate & Lyle chairman

A TAKEOVER of British Sugar by Tate & Lyle should be subject to the condition that Tate continues to refine cane sugar at its current level of 1.1m tonnes a year, according to the World Development Movement, a Third World lobbying group.

Tate and Berisford International, parent company of British Sugar, are engaged in talks about a possible takeover bid. Tate is trying at present to ascertain the value and potential liabilities of Berisford's troubled non-sugar investments.

The WDM's concern about the potential effect of a merger on cane growers in African, Caribbean and Pacific (ACP) countries won an encouraging response from Tate yesterday.

Mr Neil Shaw, chairman, said: "Regardless of what happens in the future, Tate's commitment to cane sugar and the ACP quota into Europe is unchanged and will remain unchanged." In a statement on the talks between the two companies, the WDM said the UK sugar market was already in a state of monopoly because of European Community quotas and pricing policy which determined margins directly for beet processors like British Sugar and indirectly for cane refiners like Tate.

The WDM said: "EC sugar is a highly political industry encompassing a long-standing political commitment to the developing world. If Tate & Lyle is willing to accept the profits that political pricing generates for British Sugar, then it must also accept the political commitment to the ACP that cane refining entails."

The London-based lobby group described Tate's courtship of Berisford as an attempt to relieve pressure on the profitability of its cane refining operations rather than to establish a monopoly in the UK, where the two together control 94 per cent of supply.

It argued that there was little scope for additional cost-cutting in a merged company, and — as Tate also does — that the threat of imports from continental Europe and overseeing by Brussels would prevent predatory pricing.

Holmes à Court lifts RUG stake to 4.64%

By Andrew Hill

MR ROBERT Holmes à Court has lifted his stake in Really Useful Group, which owns the copyright to Mr Andrew Lloyd Webber's most recent musicals, to 4.64 per cent. He was buying further shares in the market yesterday.

The Australian financier has been building a strategic shareholding in the company, in spite of the fact that the composer is taking RUG private.

Mr Holmes à Court spent nearly £244,000 on Monday buying shares at 239p and 238p, compared with Mr Lloyd Webber's 233p per share offer.

The stake is held through Stoll Moss Theatres, a subsidiary of Mr Holmes à Court's private vehicle Heytesbury (UK), and is worth about £3.7m at those prices.

Mr Lloyd Webber already owns or controls more than 82 per cent of RUG, having launched an offer in February. He needs to win acceptances representing just over 94 per cent of the equity to be able to mop up the outstanding minority holdings compulsorily.

Mr Holmes à Court is not prepared to comment on the reasons for his involvement, but he is apparently happy to hold on to the stake as a bargaining counter, even if RUG eventually loses its stock market listing.

Switch from defence helps Bowthorpe rise

By Jane Fuller

THE EFFORTS of Bowthorpe, the electrical and electronic components group, to switch its activities away from defence and into a growing number of countries helped it to an 11 per cent increase, to £44.6m, in pre-tax profits for 1989.

A 25 per cent rise in turnover, to £231.45m, was matched at the trading stage. But a cut in income from a fire insurance claim, flat profits from related companies and a near halving of interest received dimmed progress at the operating and pre-tax levels.

About half the growth came from acquisitions, on which the group spent £12.5m last year.

In the UK, operating profit fell by 9 per cent (partly because of the insurance factor) to £12.2m on sales up 9 per cent to £90.7m. More than 25 per cent was exported.

Mr John Westhead, managing director, said the difficulties had arisen from flat markets in defence, white goods and telecommunications.

However, he stressed that, overall, defence now accounted for only 15 per cent of sales and less than 10 per cent of profit.

Bowthorpe's geographic expansion — it now operates in 20 countries — gives the following breakdown of the sources of its orders: 37 per cent UK, 27 per cent continental Europe, 30 per cent America and 6 per cent the rest of the world.

The UK's profit contribution was overtaken by the £13.4m achieved in the rest of Europe. Mr Westhead singled out the potential of WAGO, based in West Germany and operating in four other countries, which makes screwless connection devices for such products as computer terminals.

The US showed a £2.7m profit increase to £9.6m. This benefited from acquisitions, including the first full year of Thermalloy which makes heat-sinks for cooling electronic equipment.

The biggest increase came from the rest of the world, where operating profit grew 60 per cent to £6.9m. Mr Westhead said the company was building up its presence in Japan, largely through joint ventures.

Earnings per share improvement — up just 1p to 16.33p — was limited because much of last year's growth was in companies with significant minority interests.

A final dividend of 3.59p makes a total of 5p (4p).

COMMENT

For a company founded out of a football team in 1936, its record shows none of the dramatic ups and downs characteristic of that sport. It has never made a loss and in the past five years has more than doubled sales and pre-tax profit. Growth is, however, being trammelled by the sagging defence sector and flat UK markets; and the dividend increase is something of a palliative for this. Yet the goal remains to double again in the next five years — mostly by organic growth rather than acquisition. If it achieves this it will be by continuing its admirable management of far-flung, but coherent, operations and by producing essential "medium-tech" widgets for each successive wave of electronic goods. Overseas, its platform in West Germany — 20 per cent of sales are there — looks particularly promising. A profit forecast of £49m and a share price up 4p to 178p (against a falling market) gives a prospective p/e of less than 10, relatively low by this company's standards.

Johnson Cleaners checked at £18.5m

By John Thornhill

HOT WEATHER, Hurricane Hugo, and reduced franchise sales in the US combined to restrict 1989 pre-tax profits at Johnson Group Cleaners to £18.52m, representing a 9 per cent increase.

The figure excluded an exceptional credit of £2.82m (£987,000) from the sale of properties. This sum was taken above the line and gave Johnson a total pre-tax profit outcome of £21.34m (£17.94m). Turnover rose to £141.09m (£124.33m).

The company, which claims to be the largest dry cleaning group in both the UK and the US, experienced a poor second half after showing a strong performance earlier in the year.

The company runs 752 dry cleaning shops in the UK, trading under 11 regional names. The prolonged hot weather last summer reduced sales by about 3 per cent but had a greater impact on profits.

A shop refurbishment programme is under way and increasing emphasis is being placed on providing ancillary services.

The group is also expanding its textile rental interests where it sees considerable opportunities for growth.

In the US, Hurricane Hugo hit the company's interests in the Carolinas. Twenty shops were damaged and 70 others experienced a downturn in business as the regional economy came in for a battering.

By the year end, with the inclusion of Dryclean USA's businesses bought in July 1988, Johnson had 302 shops and 186 franchisees in the US.

Mr Terry Greer, chairman, said the problems during the year were only temporary. "We are back on an even keel now," he said.

Fully diluted earnings per share (excluding properties) were 8 per cent ahead at 55.3p (51.4p). The total dividend has been lifted to 25.7p (23.1p).

Mr Greer said that the group was looking for further acquisitions, particularly in the US. At the year end, gearing stood at about 27 per cent.

He ruled out becoming involved in the current tussle for Sketchley, the rival dry cleaning group which is the subject of a takeover bid from Compass, because of monopoly considerations.

COMMENT

The recent headlines in the dry cleaning sector have all been grabbed by Sketchley and its troubled times inevitably raise questions about Johnson's continued buoyancy. But Johnson points out — with much justification — that Sketchley got into difficulties because of its diversification away from its core activities and that Johnson has no intention of following suit. Cleaning is the business Johnson knows best and that is what it will stick to. That, however, leads to questions about its exposure to a sector that depends heavily on discretionary spending and which is currently in the vice of the consumer squeeze. Again the company defends itself saying there are markets to chase in the US and business to win in the textile rental field. Pre-tax profits may rise to £21m this year putting the company on a prospective multiple of 9. In the medium term that looks good value but doubters might prefer to wait for statistical confirmation of the smart answers.

Swedish company plans to raise £15m via UK flotation

By Clare Pearson

INTRUM JUSTITIA, a Sweden-based debt collection company, plans to raise up to £15m when it joins the London stock market, a move which is scheduled for June.

In spite of the relatively small amount of money being raised, Intrum is contemplating issuing the new shares by way of an offer for sale rather than a placing with institutional investors.

Intrum is considering the former route because it believes it would help to raise its profile in the UK and promote the Justitia name.

The new money, between £10m and £15m, is expected to be used for acquisitions particularly in West Germany, France and the Netherlands.

But Mr Gert von Laar, finance director, said it would be raised even if no acquisition opportunities were immediately targeted as part of a plan to expand Intrum's shareholder base.

Intrum expects to float at a market capitalisation, not taking into account the issue new shares, of about £65m.

It claims to be the biggest European company in the highly fragmented business-to-business debt collection industry, which it said gives it an advantage in cross-border as well as domestic collection.

It also claims, following the acquisition last year of Unicol, a London-based debt recovery and export insurance concern, to be the biggest player in the UK market, commanding about 3 per cent of the total.

With the average business debt in the UK now more than 40 days overdue, Intrum sees considerable potential demand for its services.

Results for 1989 announced yesterday showed pre-tax profits of £4.84m (£2.84m) on turnover of £37m (£26.1m).

Ifico £0.34m in the red

Ifico, the commercial insurance broker, announced pre-tax losses of £335,000 for the six months to December 31 against £1.5m profits.

Directors said group resources had been severely damaged by the involvement with Fairview Securities, sold last March. However, the management of the group's principal remaining operation, FMW Holdings, which had started negotiations for a management buy-out, had agreed there was scope for developing it within the company. The directors would concentrate resources on this business.

Turnover fell to £1.17m (£7.28m). There was an exceptional £464,000 debit. Losses per share were 1.04p (2.78p earnings). An extraordinary £77,000 (£5.45m) charge arose from ongoing litigation costs.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
4th qtr.	109.9	116.8	[illegible]	121.5	138.4	2,101	241.4
1989							
1st qtr.	109.7	118.0	22.1	121.8	[illegible]	[illegible]	[illegible]
2nd qtr.	109.5	119.5	[illegible]	120.9	130.7	[illegible]	232.4
3rd qtr.	111.6	118.9	[illegible]	121.5	134.7	1,762	[illegible]
4th qtr.	111.6	120.2	[illegible]	120.1	[illegible]	[illegible]	[illegible]
February	109.2	118.5	[illegible]	[illegible]	123.5	[illegible]	[illegible]
March	110.5	119.0	25.7	122.4	127.4	1,917	224.8
April	112.7	119.1	24.7	120.7	131.4	[illegible]	232.2
May	108.4	118.9	24.1	120.8	128.4	[illegible]	219.5
June	109.2	118.6	24.0	121.4	133.9	1,810	234.4
July	110.1	118.8	24.6	122.0	130.6	1,767	[illegible]
August	111.9	120.5	[illegible]	121.4	134.9	1,745	218.5
September	111.1	119.4	[illegible]	122.1	133.9	1,686	220.7
October	112.0	120.8	[illegible]	121.8	140.2	1,675	214.6
November	112.6	[illegible]	25.7	121.7	133.3	1,662	209.5
December	110.9	118.8	24.5	122.4	[illegible]	[illegible]	195.4
1990							
January	113.1	119.6		[illegible]	[illegible]	[illegible]	[illegible]

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.7	108.7	102.8	111.0	[illegible]	[illegible]	20.7
3rd qtr	114.2	112.7	105.3	114.9	129.1	101.9	18.6
4th qtr	114.1	115.1	[illegible]	[illegible]	[illegible]	101.3	21.2
1989							
1st qtr.	114.3	[illegible]	[illegible]	119.2	130.2	[illegible]	19.1
2nd qtr.	115.4	121.1	[illegible]	122.6	132.8	[illegible]	16.7
3rd qtr.	114.6	124.4	104.7	122.9	124.1	97.4	14.4
4th qtr	115.1	[illegible]	[illegible]	124.4	121.9	[illegible]	13.8
March	115.7	[illegible]	[illegible]	[illegible]	127.9	[illegible]	18.8
April	116.1	[illegible]	[illegible]	[illegible]	127.9	[illegible]	18.4
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.6
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.7
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.5
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.5
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.0
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.5
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.5
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.6
1990							
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	51.69
1989							
1st qtr.	112.8	140.8	-6,057	-4,626	[illegible]	[illegible]	50.46
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	53.67
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	55.05
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	57.28
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	43.67
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	43.63
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	43.21
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	39.62
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	38.77
December	[illegible]	[illegible]	[illegible]	-617	[illegible]	[illegible]	[illegible]
1990							
January	125.8	[illegible]	[illegible]	[illegible]	+181	[illegible]	

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
1988							
4th qtr.	7.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.75
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.00
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.00
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.00
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.00
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.00
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.00
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.00
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.00
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.00
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.00
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.00
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.00
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.00
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.00
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.00
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.00
1990							
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75.3
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	77.5
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	78.9
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	77.5
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	97.1
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	93.8
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	91.7
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	88.0
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	97.9
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	97.4
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	95.9
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	95.5
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	91.1
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	92.2
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	91.6
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	91.3
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	89.7
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	87.9
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	88.5
1990							
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	86.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

COMPANY NOTICES

PERSONAL

UK COMPANY NEWS

Robert Horton, the new chairman, says consolidation is more or less at an end

BP to expand in its four operating divisions

By Steven Butler

MR ROBERT Horton, chairman of British Petroleum, yesterday said that BP was entering an expansionary phase that would see the group grow significantly during the decade, particularly in the Far East and eastern Europe.

Mr Horton, who took over as chairman last week from Sir Peter Walters, said that Monday's announcement of 1,150 job losses at BP corporate headquarters was the last retrenchment for the foreseeable future, aside from several hundred job losses at the group's regional corporate offices. Fifty job cuts in Cleveland, headquarters of BP America, were announced yesterday.

"The policy of consolidation which my predecessor put in train is more or less at an end," he said, in a wide-ranging discussion of his plans as BP chairman.

Although BP under Sir Peter expanded with the final acquisition of Standard Oil, the US oil company based in Cleveland, Ohio, and the takeover of Britoil, each of BP's four main business divisions – exploration and production, oil marketing and refining, chemicals, and nutrition – were subject to severe cost-cutting measures that involved job losses and asset disposals.

Mr Horton said that BP's growth would not involve diversification, but that BP would expand through its four operating divisions. The share of the company's business accounted for by US assets would probably fall from about 50 per cent today to 40 per cent because of higher growth outside the US.

BP was expected to invest between $1bn and $2bn over the next five years in the Far East. This investment, likely to take the form of joint ventures rather than acquisition, was unlikely to go to Japan, which Mr Horton said was a difficult market, but would probably concentrate on countries such as Taiwan, Malaysia and Papua New Guinea. This would mainly be in chemicals and in refining and marketing, although Papua New Guinea offered exploration opportunities.

Led by Mr Ian Hartigan, a team at BP headquarters was formulating a strategy for Far East expansion.

BP was also actively exploring opportunities in eastern Europe and the Soviet Union, although it was too early to speak about possible investment-levels. Soviet oil and gas reserves were interesting.

A marketing presence was planned for East Germany, and expansion in Hungary. Other potential opportunities were in Czechoslovakia and Romania.

Robert Horton: BP entering an expansionary phase

"There are so many opportunities available for our know-how and our money. I'm not interested in going in on a contracting basis," Mr Horton said.

BP currently does about $500m of trading business in the region.

Potential opportunities were also opening in the Middle East, where oil producers were speaking about the need for capital and technology. BP was about to establish an office in Tehran before the Salman Rushdie affair soured relations with Iran.

"Clearly the regime in Iraq poses problems," he added. "But there is a lot of oil there."

Mr Horton said US investors held about 6.5 per cent of BP's shares, which he hoped to raise to 15 per cent as a near-term goal.

He complained however, of BP's exclusion from the Standard & Poor's 500 stock index. Although, according to Mr Horton, BP America would rank as the 18th largest US company, BP is barred from the index because it is based in the UK, and that many fund managers who try to track the index will not buy BP shares.

He said BP was now the first UK company to offer quarterly dividends, as is common in the US, and that subject to shareholder approval, the company would introduce a dollar-sterling hedging mechanism to protect the value of dividends after they are declared for US investors. The 1.5 per cent withholding tax on American Drawing Rights has also been withdrawn.

Mr Horton also defended the company's oil reserve position, which is of concern in the investment community. He said that he expected the value of BP's existing reserves to rise over time, and that the company now had in place a strategy of frontier exploration that would add to reserves in the future.

However, he added: "I can understand the degree of scepticism in the market until we start to deliver the bacon." This would take some years.

● BP said yesterday it was inviting bids for its oil exploration and production assets in France.

NEWS DIGEST

Sharpe & Fisher disappoints

SHARPE & Fisher, the building supplies and property investment group, lifted pre-tax profits by 12 per cent from £2.61m to £2.92m in 1989.

This was struck after an exceptional debit of £303,000 (nil), which with the below-the-line extraordinary debit of £90,000 (nil) related to reorganisation costs. The company said that, even if the exceptional had been stripped out, the resulting 23 per cent rise would have been substantially below its original expectations.

This shortfall was caused mainly because of the doubling of interest rates over the past 18 months and the consequent and severe effect on the core building supplies business. Turnover in this division was up at £49.39m (£45.78m) with profits down at £1.77m (£2.59m).

Property investment contributed an increased £1.41m (£905,000) and property development's profit of £1.03m (nil) related to the disposal of the company's interest in a site at Neasden, north London.

Earnings rose to 9.4p (8.1p) per share and the proposed final dividend is 2.6p for a total of 4p (1p) for the year, in line with the forecast of March 1989.

Renishaw up sharply to £5m in first half

Renishaw, the designer and manufacturer of advanced precision metrology and inspection equipment and computer aided design and manufacturing systems, lifted its pre-tax profit by £1.5m to over £5m in the six months ended December 31 on turnover up from £17.25m to £22.11m.

The proportionate tax charge moved up from 30.2 to 34.3 per cent of the gross – currently £1.73m against £1.07m – and the board said that it had been estimated at the rate expected to be incurred for the full year.

Overseas interests appear to be doing well with £652,000 attributable to tax compared with £305,000. Interest received also doubled in the period from £473,000 to £978,000.

Earnings per share improved from 6.44p to 9.54p and the interim dividend goes up from 1.4p to 2p. The shares gained 3p to 283p following the results.

Gabicci declines 24% to £644,000

A 24 per cent fall in interim profits was yesterday reported by Gabicci, the USM-quoted casual wear group.

The fall – from £851,000 to £644,000 – came on turnover down to £12.18m (£13.85m). However, Mr Jack Sofier, chairman, said the group had "performed satisfactorily considering the effect of continuing high interest rates and the current pressures on the retail sector."

While the core business continued to expand and had received record orders for the autumn/winter season, the Coconut Club brand was hit by poor deliveries and its home market continues to suffer.

A maintained interim dividend of 1.4p is payable from earnings of 3.6p (4.8p) per 5p share.

Mild winter helps Shorco advance 40%

Shorco Group Holdings, the USM-quoted specialist plant hire company, lifted taxable profits by 40 per cent to £965,000 in 1989.

The increase from the previous year's outcome of £690,000 came on turnover ahead some 29 per cent to £6.18m (£4.81m). Mr John Robertshaw, chairman, said the mild winter had resulted in strong demand across all the group's products.

Earnings per share advanced to 21.1p (15.1p) or 20.7p (14.4p) fully diluted. A recommended final dividend of 2.5p brings the total to 4.5p (3.75p adjusted for the scrip issue last May).

Kerry maintains strong progress

Kerry Group, the Irish agricultural trading and food products concern, maintained strong progress in 1989 with pre-tax profits up 39 per cent from I£12.3m to I£17.13m (£16.8m).

Turnover increased 41 per cent from I£396.72m to I£559.55m. At the operating level, profits were 74 per cent higher at I£31.4m, before more than doubled interest payments and similar charges of I£12.23m (I£4.99m).

Tax took I£487,000 (I£322,000) giving earnings per share of 11.38p (9.4p). The recommended final dividend per A ordinary share is 1.33p making 2p (1.82p) for the year, while the B ordinary total is 1.2p (0.833p) with a 0.88p final.

Tullow Oil in black with I£190,000

Tullow Oil, the USM-quoted Irish oil and gas exploration company, replaced 1988's loss of I£405,032 with profits of I£189,929 (£186,000) last year after much lower exceptional debits of I£62,707 against I£953,746.

Mr Tom Toner, chairman, said the company was excellently placed to increase reserves based on the quality of its current exploration acreage. Licences have been negotiated in Spain and South Yemen and talks were at an advanced stage for licences in Syria and Pakistan. The development of production interests in Senegal continues.

Turnover was down from I£2.05m to I£1.54m and earnings per share were 0.2p against losses of 0.7p.

Mohair down and forecasts same again

As predicted, pre-tax profits at British Mohair declined from £5.29m to £4.54m in the year to December 31.

Lower profits were forecast in September with sluggish demand and low profit margins being experienced at British Mohair Spinners and lower demand in the retail sector.

The board said that all things considered similar results are expected to be achieved in 1990.

With earnings of 23.28p (26.1p) the dividend total has been raised from 8p to 8.5p with a recommended final of 7.1p (6.6p). Turnover was down about £1m to £43.49m; tax took £1.43m (£1.81m).

TECHNOLOGY

Louise Kehoe reports on how software companies are adapting their products for a wider audience

PC separates to mix and match

"THEY'RE NOT SPECTACLES - THEY'RE COMPUTER SCREENS"

Is it a personal computer or is it a workstation? Apple Computer's latest product, the Macintosh IIfx, which was launched on Monday, could be called either. It has all of the familiar attributes of an Apple Macintosh, along with power that rivals some workstations.

Personal computers and workstations have been on a collision course for the past couple of years as personal computers have increased in power and workstations have decreased in price. With the introduction of Apple's Macintosh IIfx, the two market sectors have finally converged and the full significance of the trend is beginning to emerge.

For Apple, the introduction of the IIfx marks the beginning of its efforts to compete with companies such as Sun Microsystems, Hewlett-Packard and Digital Equipment for sales to engineers, financial analysts and others for whom high speed computing is required.

The IIfx is four times faster than Apple's previous top-of-the-line product and Apple claims that it may be the fastest personal computer available today. But its performance pales when compared with, for example, IBM's new RS6000 workstation, or even the comparably priced Sun Microsystems SparcStation.

Apple cannot make up its mind what to call the IIfx. "We have told our salesforce to call it whatever they like, a personal computer or a workstation," says Brodie Keast, director of product marketing.

The blurring of distinctions between the two product sectors is not just a dilemma over semantics. In the fast-changing world of computing, the names that people attach to certain classes and types of computers are frequently outdated.

What is more important for computer manufacturers and buyers is the gradual merger of different computer standards that have previously separated the personal computer and workstation markets.

With the Macintosh IIfx, Apple has bridged the gap between its proprietary personal computer software and the Unix environment which has become standard in the workstation arena. The new Macintosh can run applications programs designed for either operating system simultaneously.

Apple also introduced a new version of its flavour of Unix, the AT&T computer operating system, called A/UX version 2.0, which combines the easy-to-use Macintosh graphical user interface, with its icons, point-and-click and pull down menu features, with the power of the Unix operating system.

A/UX complies with the standards that are held to be important by proponents of the "open systems" movement, yet it retains the proprietary advantages of Apple's graphical user interface.

Hewlett-Packard announced this week that it has developed a graphical user interface for Unix. HP Visual User Environment allows novice computer users and those not familiar with the complex Unix operating system commands to make use of Unix programs.

HP and Apple are taking a remarkably similar approach to the problem of making the Unix operating more palatable to average desktop computer users. Sun Microsystems also has its graphical user interface for Unix, called Open Look. Next Computer has NextStep.

The convergence of workstations and personal computers is not confined to proprietary systems such as those offered by Apple Computer. In the "IBM-compatible" arena, Dell Computer, a leading manufacturer of personal computers, this week introduced two desktop computers that can run Unix workstation programs as well as those designed for IBM-compatible personal computers.

Within the computer industry, the merger of desktop computing standards signals a showdown between Unix, as the workstation operation system standard, and OS/2, the Microsoft operating system which has the endorsement of IBM as the new standard in the personal computer arena.

Computer users should, however, be shielded from this battle by graphical user interfaces

Eagle eye

that make all types of desktop computer applications programs look alike. Computer buyers will ultimately benefit from the convergence of workstations and personal computers because look-alike interfaces will reduce the training costs that have become a big factor in the cost of implementing information technology.

LSI Logic's introduction, also on Monday, of a set of chips that provide the essential components for a "clone" of the Sun Microsystems SparcStation 1 workstation, also promises to shake up the desktop computer industry. LSI expects the chipset to ignite a trend towards cloning the Sun workstation, in much the way that IBM's original personal computers were widely cloned.

Sun Microsystems sold over 40,000 SparcStation 1 workstations in the first nine months after its introduction in the Spring of 1989, and Sun has openly challenged its competitors to clone its Sparc microprocessor-based computers by licensing the chip design to several chip makers.

"The availability of a complete off-the-shelf set of chips overcomes the major hurdle to the creation of the workstation PC industry which I'm convinced will be a multi-million unit market within the next two years. This is like the early days of the PC phenomenon being played at fast forward," said Brian Halla, LSI Logic's Microprocessor Group vice president. Chip sets of devices that crammed all of the functions of IBM's personal computers on to half a dozen chips were a catalyst in the growth of the personal computer "clone" market in the mid-1980s, he recalled.

Several computers built upon the chip set will be announced in June for shipment in the third quarter of this year, Halla anticipates. He expects the Sun clones to be priced at under $8,000, compared to Sun's price of $10,000 to $12,000 for a SparcStation 1.

Personal computers may yet reclaim a distinctive role in the computer market, if not on the desktop then as a carry-around computing and communications tool.

Dick Pashley, general manager of flash memory operations at Intel, one of the leading suppliers of chips to personal computer manufacturers, sees notebook-sized personal computers becoming as ubiquitous as the pocket calculator within a few years.

The "Flash Notebook", measuring about seven inches by nine inches and half an inch thick, will weigh about one pound, he predicts. As well as all the familiar functions of today's personal computers it will also include a television receiver, and the ability to send and receive facsimile messages, he says. But what will all of this cost? "About $200," Pashley reckons.

Intel's "flash memory" chips will play a key role in making lightweight portable computers possible, the company claims. These devices combine the best of both of the predominant varieties of memory chips – Dynamic Random Access Memory which are very dense and relatively cheap – along with Electrically Programmable Read Only Memories, which are non-volatile (retain data when the power is turned off) and can be reprogrammed.

The flash memory provides a semiconductor alternative to the floppy disk drive as a medium for data storage, Intel claims. The chips are smaller, lighter, and less fragile than a disk drive. The flash memory also uses less power, extending the life of a battery operated portable computer.

This is not the first time Intel has predicted the demise of the disk drive, however. In the 1980s it promoted "bubble memory" devices as an alternative to magnetic media. Although adopted by Grid Systems, a pioneer in the portable computer market, bubble memories never caught on.

Similarly, Intel's flash memory chips have won the endorsement of Psion, the British lap-top computer manufacturer. It remains to be seen whether Intel's latest memory technology can usurp the ubiquitous disk drive, or whether like bubble memories, they will prove to be merely a flash in the pan.

WORTH WATCHING

by Clive Cookson

Electric charge of oil and water

ONE OF the many technical difficulties about operating an offshore oilfield is making a reliable electrical connection under the sea. Salt water is liable to become trapped inside the coupling and interfere with the electric current.

BP's Drilling Technology Division in Dyce, Scotland, has adopted a radically different approach. Instead of trying to find a way to keep the water out, the BP engineers devised a coupling in which water is allowed to enter when the two parts are pushed together. It is then flushed out through a vent and replaced with a non-conductive oil which does not affect the electricity.

Extensive tests on a prototype system in a tank reproducing conditions on the sea bed showed that the coupling maintained a good electrical contact after being connected and disconnected 150 times.

BP expects the new coupling to increase the use of electrical controls in the offshore industry, at the expense of hydraulic controls which become less effective at long distances from the power source. As a result, the industry will be able to introduce more sophisticated computerised monitoring and control systems.

A logical way to automate

GE FANUC Automation, the joint venture of General Electric of the US and Fanuc of Japan, has launched its first generation of programmable logic controllers. PLCs are general purpose industrial microcomputers — perhaps the least glamorous sort of computer but essential for factory automation.

The Series 90 PLCs, developed jointly by GE Fanuc engineers in the US, Japan and Europe, are claimed to be the first to adopt a "truly open architecture." They are based on VME, an non-proprietary international standard for industrial computers.

Semiconductor laser sees red

PHILIPS of the Netherlands has developed a semiconductor laser that emits red light with the same wavelength (633 nm) as the widely used helium-neon gas laser but which is substantially smaller and would be less expensive to produce and operate. It consumes so little electricity that it could run off a battery.

Helium-neon lasers are currently used in laser printers and in scanners to read bar codes.

Although test models of the new solid-state laser will be sent out to prospective buyers this summer, Philips has not yet decided whether to mass produce it. But since it is based on familiar semiconductor technologies, the company would be able to make the laser in large numbers if it chose to do so.

Philips says its new laser is the first semiconductor laser to emit light that is clearly visible to the human eye; others operate in the infra-red region. Researchers at the company's Eindhoven Laboratories succeeded by growing extremely thin layers of a compound crystal of gallium, indium and phosphorus, on a gallium arsenide base.

Late changes on the plate

NEWSPAPERS and magazines will be able to make last minute changes to copy while the printing presses are running, if an electrically erasable and rewriteable printing plate invented at the Free University of Berlin is perfected and commercialised.

The plate is based on a plastic, polythiophene, which is electrically conducting. It can be either hydrophilic (attracting water) or hydrophobic (repelling water) and the polarity can be reversed by applying a weak pulse of electricity. When a printing plate is coated with polythiophene, hydrophobic areas print and hydrophilic ones do not, because the process uses oil-based inks which are taken up by areas that have not absorbed water-based damping materials.

Gerhard Kossmehl and colleagues at the university's Institute of Organic Chemistry have developed a polythiophene coating which is initially hydrophilic. Single points on the plate can be made reversibly hydrophobic with an electric pulse.

Although the technology is still far from practical application, Maschinenfabrik Augsburg-Nürnberg, which financed the project, has applied for a patent. The process could reduce costs in the printing industry. And it might eventually be possible for a newspaper to link its editorial computer system directly to the printing presses and update the news without having to stop and change plates.

More than just skin deep

COLLASPHERES are a new way of administering cosmetics and drugs on the skin. They are microscopic capsules between 5 and 1,000 microns in diameter, with membranes of collage and glycosaminoglycans, containing the active ingredients.

Bioetica, a French company based in Lyon, invested collaspheres and is beginning to license the technology to cosmetics companies, including Clarins. It is also negotiating with pharmaceutical companies to use the technology for delivering drugs.

The structure of collasphere membranes imitates that of the skin. Collaspheres with a diameter greater than 100 microns break open immediately if are rubbed on to the skin. Smaller ones pass through the top layer of skin and then slowly release their ingredients.

Different manufacturing techniques can be used to give a range of collasphere sizes — and therefore a choice between immediate release on application and slow release over an extended period. For pharmaceutical applications collaspheres can be freeze dried, sterilised and rehydrated.

Contacts: BP Drilling Technology Division: UK, 0224 832000. GE Fanuc: UK, 0808 260450. Philips: Netherlands, 040 756136. Free University of Berlin: West Germany, 030 838 2636. Bioetica: France, 72 73 50 55.

COMMODITIES AND AGRICULTURE

Gold price plunges $6.75 through support point

By Kenneth Gooding, Mining Correspondent

GOLD YESTERDAY crashed downwards through $395 a troy ounce, an important technical support point. The price plunged $6.75 an ounce to close in London at $391.75. That followed a $4.25 fall on Tuesday.

Analysts suggested gloomily that the price would not return to $400 an ounce for some time.

The London price at one point fell to $389 an ounce, forced down by selling which followed a sharp drop in New York in the last half an hour of trading on Tuesday night.

"There was blood on the streets," said Mr Andrew Smith, analyst at UBS Phillips & Drew. He said the next important support point for gold was $385 an ounce. Once $385 was breached, the next stop was $360.

However, "gold has fallen so far so fast that the only way is up in the short term. It might hold in the low $390s but it won't see $400 again quickly," he added.

Ms Rhona O'Connell, precious metals analyst at Shearson Lehman Hutton, suggested that the recent fall in gold's price had been caused partly by disillusionment on the part of speculators who had expected the price to continue to rise strongly and partly by short selling (speculators selling gold they did not own in the hope of picking it up at a lower price later).

Tokyo markets were closed yesterday for a holiday and that contributed to yesterday's fall, said Ms O'Connell, but demand for physical metal in the Far East had slowed recently.

Even so, demand from the Far East would probably hold the price above $385 an ounce, she said.

Mr Robert Weinberg, analyst at James Capel, insisted that gold was still in a long-term bull market. He pointed out that in the three months from September last year the price rose by $60 an ounce so some retracement was to be expected. In the 1985 gold bull market investors had to wait nearly a year for the second upward surge in the price, Mr Weinberg recalled. "Perhaps we will need to be as patient this time, but I doubt it."

LME STOCKS REPORT EXPERIMENT

The London Metal Exchange, which dominates world terminal market trade in non-ferrous metals, hopes to reduce price volatility by reporting its stock figures twice weekly from April for an experimental period of six months.

Figures will be released at 9 am London time on Tuesday and Friday of each week rather than once a week on Monday.

Finance threatens cocoa pact extension

By David Blackwell

THE INTERNATIONAL Cocoa Organisation's full council is to meet this morning for the first time since last September, when an attempt to revive the moribund agreement ended in complete failure.

The problems facing the organisation appear now to be even more formidable. Producer countries have paid no levies to the organisation since September and total arrears stand at nearly $140m. The 240,000-tonne buffer stock contains 2,500 tonnes suffering from a deterioration of more than 10 per cent, and a further 16,000 tonnes with deterioration at between 5 and 10 per cent.

At the same time the pressure is on the delegates to agree at least on an extension to the agreement, which does not officially expire until September. If there is no extension, the rules of the organisation require that the buffer stock be sold off over a maximum period of 4½ years.

"If there is no agreement in principle for an extension at this meeting, it will be running an enormous risk that the whole thing will founder altogether in September (the annual meeting)," said one delegate yesterday.

Both producers and consumers in general believe that there should be an extension of two years with no economic provisions and with a freeze on the buffer stock. However, the buffer stock manager has only enough money to finance the stock for one year ($15m), and the problem remains of how to finance a second year.

Two options are open – the first is to sell the deteriorating part of the stock without replacing it, and the second is to seek some gesture from debtor nations.

The biggest debt is owed by the Ivory Coast, the biggest producer, with arrears of more than $84m, followed by Brazil at $21.9m, Ghana at $14.8m and Nigeria at $8.2m. The extent of the debts can be measured against the fact that since the beginning of the agreement in 1986-87 the producers have paid only $46.5m between them. Most consumers are still paying the $80 a tonne levy on their imports from countries outside the ICCO.

Meanwhile, much interest will be centred on the producers' activities away from the main ICCO meeting, which is scheduled to continue at the Berners Street headquarters until Friday week.

"The interest will be in the sidelines – can producers put a strategy together of their own, outside the ICCO, for raising or stabilising prices?" said one delegate.

Comex chief talking himself out of a job

Barbara Durr on the planned merger of two New York exchanges

MR MARTIN Greenberg, the newly elected chairman of the board at New York's Commodity Exchange (Comex), is in a hurry to get out of the job he started only last week. He would like to see the merger of Comex with the New York Mercantile Exchange (Nymex), "asap", as he put it. And under an agreement reached earlier this year on a board structure for the new entity, a Nymex person would be its chairman.

Mr Greenberg, a futures broker and chairman of Sterling Commodities Corporation, said that negotiations for the merger were already well advanced. The agreement on governance struck between the two exchanges had been considered one of the highest hurdles for the merger plan. In late January, both exchanges' boards endorsed a proposal from their executive committees that would give the new exchange's board a Nymex chairman, a Comex vice-chairman, 16 Nymex members, eight Comex members and six external members.

"Now, we have to sit down and talk about infrastructure, that is, trading methods, data processing, lots of details," Mr Greenberg said. While the agreement on governance is in place, some of these details could still turn into formidable obstacles. For example, each exchange has a strong president, Mr Arnold Staloff at Comex and Mr Patrick Thompson at Nymex, and it is not clear how the combined exchange can be organised to accommodate both men.

Other critical issues are how much capital each exchange will put up for the new entity and how trading rights and rights to new products will be sorted out. None the less, Mr Greenberg's enthusiasm for the merger is clear. Speaking last Friday, he said, "If it were simple, I'd do it by Monday."

The first and foremost reason for the merger, according to Mr Greenberg, is money. The combination of the two exchanges would bring an economy of scale that would pare down costs on personnel by reducing duplicated efforts.

In addition, Mr Greenberg said that the money saved from such reductions could permit development of new products, hiring of economists and an upgrading of member benefits and facilities. Comex and Nymex and New York's other three exchanges, now crowded into one floor of the World Trade Center, are jointly looking for a new building that would have more space for trading and the trading floor's ancillary services.

What Mr Greenberg in particular and Comex in general will contribute to the merger, assuming that it goes ahead, is a strong emphasis on discipline. Policing of trading floor activity has become the top issue in the futures industry since an undercover FBI investigation into trading fraud in Chicago's two major exchanges came to light last year. Mr Greenberg was chief of Comex's supervisory committee, which is in charge of discipline, where he said he did not make any friends.

"We're interested in enforcement," Mr Greenberg said. "We want people to come here for a safe trade."

Comex's record on discipline compares favourably with that of other exchanges, particularly Nymex. According to a Government Accounting Office study last year, between 1984 and 1988, before the FBI investigation turned everyone's attention to the problem, Comex penalised 90 traders, fining them $2.3m, while Nymex penalised only 14 traders, fining them $275,000.

While the figures might suggest that Comex traders are simply more dishonest, its discipline in fact is more strict. It leads the four major US exchanges in the number of investigators per 10m contracts, the GAO study said. It has five per 10m contracts while Nymex has 2.1, the Chicago Mercantile Exchange 2.2 and the Chicago Board of Trade 1.5. And Comex's investigators are more experienced.

Mr Greenberg thus appears to be well grounded in his boast that: "We're cleaner than others. Our compliance department is on the ball." And in today's atmosphere of fears about federal crackdowns Comex's contribution on this score to a merger with Nymex would obviously be a plus.

Another plus will be Comex's new technology. In April, it is due to begin non-trading floor tests of the first hand-held computerised trading card. The hand-held terminal is expected to much improve the audit trail of trades.

The Chicago exchanges are also developing hand-held electronic trading cards which are expected to be ready for testing at the end of the year. So a race appears to be on for who gets the right device for the industry and can supply other exchanges.

On technology, Mr Greenberg said that Comex would make its advances available to everyone in the industry, not just Nymex if the merger took place. The Comex-Nymex marriage makes technological sense, since Nymex is involved in developing a screen-based trading system.

While diversification has long been a problem for Comex, Mr Greenberg gave no details about its expected new gold-related product.

His principal task appears to be guiding Comex, the smaller and poorer of the two exchanges, into the merger without a loss of face. Once a plan is settled on, two thirds of the members of each exchange must approve it and Mr Greenberg says: "My problem is I represent 773 people who have their own interests."

Surprise at diamond price rise

By Kenneth Gooding

DE BEERS, the South African group which dominates world diamond trading, surprised most analysts yesterday by announcing a price increase for rough (uncut) diamonds averaging 5.5 per cent.

The group's London-based Central Selling Organisation (CSO), which accounts for more than 80 per cent of the world's rough diamond trade, said the increase was in line with global inflation. Its suppliers faced rising costs for mining and sorting stones.

However, the 5.5 per cent is only an average and rough stones, which are very much in demand at the moment, will go up by more than this when the increase takes effect at the next diamond "sight" or sale next Monday.

Particularly affected, according to the CSO, are diamonds of one carat and below, known as the medium range of polished stones and which sell, when polished, at prices between $400 and $3,500 each.

The rapid growth in rough diamond sales seen in the late 1980s came to a halt last year and the CSO reported in January a 3 per cent fall from the record $4.172bn in 1988 to $4.086bn. Analysts said that two very big price increases, of 13.5 per cent in May 1988 and of 15.5 per cent in March 1989, were mainly responsible for slow-down.

However, the CSO said yesterday its "sights" in January and February had been "reasonably large."

The CSO said the rise would give the trade confidence because traders knew the organisation would not make any move unless it believed the rise was sustainable.

It estimated that world-wide diamond jewellery retail sales increased by about 4 per cent in US dollar terms last year over 1988's $35bn. In the two biggest markets, sales in the US were flat but there was a 12 per cent increase in Japan when measured in the local currency. Demand in western Europe remained strong, particularly in Italy and France.

There had also been record exports of polished stones from Israel, up 8 per cent on 1988, and India, up 12 per cent.

Mr Euan Worthington, head of the mining team at the Warburg Securities financial services group, said the timing of the price increase was "fairly surprising. We felt the CSO would wait until the second half of this year before making a move to catch up with inflation.

"But we had heard that the first two sights this year were very strong. Obviously the diamond market is still pretty buoyant."

Rough Diamond Price Increases Imposed by the CSO

Sept 1982	2.5%
March 1983	3.5%
April 1986	7.5%
Nov 1986	7%
Sept 1987	10%
May 1988	13.5%
March 1989	15.5%
March 1990	5.5%

Soviets do not expect grain deal yet

US AND Soviet negotiators will not complete a grain trade pact at meetings in Vienna this week but will probably finish one in time for a June superpower summit, according to Mr Oleg Klimov, chairman of Exportkhleb, the Soviet grain buying agency, reports Reuter.

He said a new grain agreement would probably be signed by June because "we have a deadline by that time." He explained that a grain deal would be possible only when a broader bilateral trade agreement had been completed.

The wider trade pact is needed before Washington can grant the Soviet Union Most Favoured Nation (MFN) trade status, which would give Moscow more advantageous trade terms.

US negotiators say the trade and grain negotiations are not linked, however.

Asked to describe the first day of the second round of grain trade talks, Mr Klimov said, "they went very smoothly." There had been what he described as "some small surprises," but he added that discussions took place in a friendly atmosphere. One US officials said: "There is a possibility we could finish this week but it is not a certainty."

Ministers to debate nitrogen curbs

By Tim Dickson in Brussels

CONTROVERSIAL plans to limit the use of nitrogen fertiliser in the European Community will be debated seriously for the first time in Brussels today. EC Environment Ministers are to have their first full negotiation on the proposal, tabled by the European Commission more than 12 months ago, which has aroused fierce opposition from the UK and other member states.

The Irish Presidency had been hoping to reach an agreement in the first half of this year but it is understood that a compromise being worked out recently between national experts foundered when the issues were debated by Community ambassadors. Many in Brussels detect the influence of the strong farm lobby, notwithstanding the fact that Environment Ministers are responsible for taking the final decision.

Few now expect substantial progress before the second half of this year and all accept that there will be significant changes to the original draft.

As it stands it would impose stringent limits on the use of nitrogen fertilisers and natural manures, which are held to leach through soils and cause unacceptably high levels of nitrates in drinking water.

The proposal calls on member states to identify "vulnerable zones" where nitrogen levels would have to be brought down to 170 kg per hectare. Britain claims that as things stand much of East Anglia would be affected and that to comply with the requirements large areas of arable land would have to be planted with forest or "set aside." The French are worried that similarly drastic action would be needed in the Paris basin, while the West Germans also have strong reservations.

Among other issues to divide the member states is the amount of manure which should be permitted in the zones – a subject which has given rise to surprisingly heated arguments over the average size of cow in the EC.

Moroccan agreement angers Spanish fishermen

By Peter Bruce in Madrid

SPANISH FISHERMEN who blocked the country's southern ports for more than 10 days earlier this month in protest at the introduction by Morocco of steep fines for illegal fishing in its waters have reacted angrily to an agreement worked out in Rabat late on Monday night with the European Community.

Morocco decided in January to rise the fines it levies for illegal fishing by up to 1,000 per cent, sparking a wave of protest at Spain's Mediterranean ports, which are home to about 700 vessels that fish in Moroccan waters.

Madrid managed to defuse the harbour blockades by successfully lobbying for a meeting of the joint fishing commission which monitors the Moroccan-EC fishing pact of 1988. But this agreement leaves treatment of transgressors solely to the Moroccans and the Rabat meeting on Monday apparently did not even attempt to persuade Morocco to lower the fines.

The Moroccans have agreed, however, to stop the practice of confiscating Spanish boats caught fishing illegally until fines are paid and to establish strict judicial procedures under which offenders will be allowed to either pay the appropriate fine, give bank guarantees that it will be paid or pay a deposit. Morocco also agreed to provide Spanish translations of its new regulations.

In Seville, officials of the Andalucian fishing guild, called Monday's agreement "insufficient."

Fishermen would continue to suffer under a draconian law based on the words of Moroccan officials against the words of Spanish skippers, they complained.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices advanced on the LME yesterday, helped by the strength of the dollar. The tone was aided by a buy recommendation from Ted Arnold, metals specialist with brokers Merrill Lynch, with an objective of $2,650 a tonne within the next two months. Arnold's recommendation was based on the view that workers at Noranda's 195,000-tonnes-a-year Horne smelter would reject the company's final wage offer yesterday. By midsession copper was ahead on Comex – analysts said that the shooting of a former Chilean junta member had sparked concerns about the political situation in Chile, the world's biggest copper producer. The dollar's strength also helped lead to recoup some of this week's losses, although it retreated in the afternoon under pressure from belated profit-taking following last week's advance to 10-year highs. London robusta coffee went into reverse again as the market continued to await news from Brazil regarding its export policy. However, one trader said roaster interest was evident whenever prices dipped, suggesting the market had underlying trade support at current levels.

Compiled from Reuter

London Markets

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$15.30-5.40y	+.250
Brent Blend	$18.15-8.20y	+.075
W.T.I. (1 pm est)	$19.95-2.00y	-.005
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$214-215	+1
Gas Oil	$160-161	+1
Heavy Fuel Oil	$81-83	
Naphtha	$167-169	+1
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$391.75	-6.75
Silver (per troy oz)♣	507c	-3
Platinum (per troy oz)	$487.75	-13.00
Palladium (per troy oz)	$128.75	-1.60
Aluminium (free market)	$1585	-10
Copper (US Producer)	120¼c	
Lead (US Producer)	60.5c	
Nickel (free market)	475c	+5
Tin (Kuala Lumpur market)	16.89r	-0.02
Tin (New York)	286c	+1
Zinc (US Prime Western)	83¼c	+2.75
Cattle (live weight)†	109.51p	-0.28*
Sheep (dead weight)†	221.91p	-7.67*
Pigs (live weight)†	93.80p	-0.69*
London daily sugar (raw)	$363.0w	+0.2
London daily sugar (white)	$456.0w	-0.5
Tate and Lyle export price	£357.0	+4.5
Barley (English feed)	£110.75	-0.75
Maize (US No. 3 yellow)	£131.50v	+0.75
Wheat (US Dark Northern)	£133t	
Rubber (Apr)♥	57.50p	+0.75
Rubber (May)♥	58.25p	+0.75
Rubber (KL RSS No 1 Apr)	229.5m	+0.5
Coconut oil (Philippines)§	$385.0w	-7.5
Palm Oil (Malaysian)§	$277.5	
Copra (Philippines)§	$242.5	
Soyabeans (US)	£173	+4
Cotton "A" index	79.10c	-0.55
Wooltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Feb/Mar. t-Mar/Apr. v-Apr/Jun w-Apr/May. x-Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX (£ per tonne)

Raw	Close	Previous	High/Low	
May	350.20	351.20	354.00	347.80
Aug	351.60	351.40	354.60	348.80
Oct	336.40	336.40	341.80	336.80
Dec	336.00	336.00		
Mar	314.60	313.00	316.00	312.00
May	311.60	312.00	311.80	310.20
Aug	308.00	305.00	310.00	307.00
White	**Close**	**Previous**	**High/Low**	
May	450.0	451.5	452.0	449.0
Aug	448.0	449.0	448.0	438.5
Oct	418.5	419.0	418.0	395.5
Dec	401.0	403.0	402.0	400.5
Mar	396.0	397.0	397.0	394.5
May	394.0	395.5	394.0	391.0
Aug	392.0	394.0	394.5	391.0

Turnover: Raw 4004 (3516) lots of 50 tonnes. White (1914) [illegible]. Paris- White (FFr per tonne): May 2560, Aug 2584, Oct 2450, Dec 2346, Mar 2325, May 2320

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
May	18.27	18.05	18.27	18.20
Jun	18.20	18.05	18.20	18.10
Jul	18.34	18.44	18.40	18.27
IPE Index	18.44	18.27		

Turnover: 3994 (6570)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Apr	159.25	157.75	160.00	158.00
May	155.00	154.25	155.25	154.75
Jun	154.75	153.50	155.25	153.50
Jul	155.00	154.75	155.25	155.00
Aug	157.00	156.00	157.50	157.00
Sep	160.00	158.50	160.25	160.25
Oct	162.50	161.50	162.50	162.50
Nov	165.50	165.75	165.00	165.00

Turnover 5714 (5052) lots of 100 tonnes

WOOL

Australian wool production which in December was estimated at 9% higher than last season is now expected to rise by 13%. The forecasting committee brought forward its normal May estimate to March because receipts by brokers into store were running at a much higher level than a year ago, currently 18%. Apart from the price inducement of the floor price scheme output has been higher because of higher sheep numbers and a record cut per head of 4.76kg. Bradford prices are up again as a result of weaker sterling, with 64s super tops at 578p per kg. and 58s average at 365p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	689	694	700	690
May	710	697	714	701
Jul	723	710	727	714
Sep	737	724	740	728
Dec	760	749	764	754
Mar	781	772	784	777
May	786	786	799	792

Turnover: 4270 (4187) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Mar 20 821.76 (827.85) 10 day average for Mar 21 854.27 (858.00)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	679	694	701	675
May	690	707	714	686
Jul	673	677	688	666
Sep	683	687	697	678
Nov	696	699	710	690
Jan	712	715	717	706
Mar	724	731	730	726

turnover: 2844 (4618) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Mar 20: Comp. daily 73.48 (71.42). 15 day average 75.37 (76.21)

POTATOES – IPE £/tonne

	Close	Previous	High/Low	
Apr	161.0	150.0	155.5	150.0
May	184.9	184.0	189.0	183.0
Nov	96.5	99.0	96.0	
Feb	115.0	116.0		
Apr	137.2	137.3	137.0	

Turnover 422 (418) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low	
Jun	126.00	124.50	126.00	125.00
Aug	126.50	125.50	126.50	125.00
Oct	129.50	128.50	129.50	129.00

Turnover 60 (39) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low	
Mar	1540	1557	1560	1540
Apr	1564	1580	1575	1560
Jul	1344	1355	1353	1344
Oct	1450	1465		
Jan	1460	1479	1470	
BFI	1570	1590	1570	

Turnover 465 (810)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low	
Mar	110.40	110.85	110.50	110.35
May	112.35	112.75	112.50	112.25
Jun	114.30	114.70	114.40	114.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barley	**Close**	**Previous**	**High/Low**	
Mar	102.90	103.50	103.00	102.80
May	105.60	106.15	105.75	105.60
Sep	103.40	103.45		

Turnover: Wheat 146 (292), Barley 45 (60). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Apr	120.3	120.0	120.3	119.0
Jun	119.8	119.8		
Jul	114.8	115.5	115.0	
Aug	118.3	118.3	118.5	118.0
Oct	115.8	115.0		
Nov	119.0	116.0		

Turnover 47 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,775 tonne
Cash	1603-4	1580-2		1588-9		
3 months	1605-6	1594-5	1610/1585	1594-5	1608-10	88,452 lots
Copper, Grade A (£ per tonne)						Ring turnover 49,800 tonne
Cash	1677-8	1652-4	1665/1665	1659-7		
3 months	1659-60	1622-5	1649/1629	1632-6	1647-8	84,981 lots
Lead (£ per tonne)						Ring turnover 14,050 tonne
Cash	685-90	660-70	705/670	670-80		
3 months	522-5	515-7	535/515	550-1	516-9	10,134 lots
Nickel ($ per tonne)						Ring turnover 1,752 tonne
Cash	9950-10000	10100-50	10300/9950	10250-75		
3 months	9525-50	9625-50	9850/9575	9825-50	9675-700	7,195 lots
Tin ($ per tonne)						Ring turnover 815 tonne
Cash	6560-70	6590-50		6340-2		
3 months	6460-530	6460-70	6520/6460	6480-5	6500-10	8,710 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,350 tonne
Cash	1766-72	1765-70		1765-7		
3 months	1627-8	1625-7	1630/1612	1619-20	1629-30	16,772 lots
Zinc ($ per tonne)						Ring turnover 1,125 tonne
Cash	1650-5	1690-700	1690/1645	1650-5		
March 30	1630-40	1670-80		1630-40		166 lots

LME Closing £/$ rate:
SPOT: 1.5930 3 months: 1.5659 6 months: 1.5412 9 months: 1.5184

LONDON BULLION MARKET

Gold (fine oz) $ price		£ equivalent
Close	391½-392	245½-246
Opening	393¾-394¼	247-247½
Morning fix	389.9	244.528
Afternoon fix	392	245.845
Day's high	393¾-394¼	
Day's low	389½-390	

Coins	$ price	£ equivalent
Mapleleaf	402-407	252-255
Britannia	402-407	252-255
US Eagle	402-407	252-255
Angel	401-406	251-254
Krugerrand	391-394	245–247
New Sov.	95-95	59½-60
Old Sov.	93-95	62¼-63
Noble Plat	493.6-501.4	309.85-314.75

Silver fix	p/fine oz	US cts equiv
Spot	317.15	504.90
3 months	326.70	515.90
6 months	342.20	526.95
12 months	367.50	550.70

TRADED OPTIONS

Coffee	May	Jul	May	Jul
650	55	56	15	35
700	27	37	37	55
750	12	23	72	101
Cocoa				
650	62	83	2	11
700	27	48	13	27
750	5	26	45	55
Brent Crude	**May**	**Jun**	**May**	**Jun**
1800			24	37
1850				56
1900	19	42	50	58

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	391.8	392.2	391.6	391.3
Apr	392.5	393.3	393.9	390.9
May	395.2	396.0	0	0
Jun	397.9	398.7	399.4	396.2
Aug	403.0	403.9	404.5	401.5
Oct	408.2	409.2	408.0	406.0
Dec	413.4	414.5	415.0	411.0
Feb	418.8	420.0	419.0	417.0
Apr	423.8	425.1	424.0	423.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	492.3	490.8	0	0
Apr	494.8	493.6	496.0	486.5
Jul	500.2	499.7	501.0	492.5
Oct	505.6	505.4	506.0	500.5
Jan	512.0	511.6	511.0	507.0
Apr	518.8	518.4	518.4	518.4

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	505.5	504.3	508.0	502.0
Apr	506.4	505.4	0	0
May	510.3	509.3	512.0	506.5
Jul	517.0	517.5	520.5	515.0
Sep	527.0	526.0	527.0	523.0
Dec	535.9	537.9	541.5	535.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	122.60	128.00	133.00	128.20
Apr	125.60	121.20	122.00	120.20
May	121.25	117.28	122.40	117.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	19.96	19.77	20.05	19.80
Jun	20.19	20.08	20.26	20.04
Jul	20.34	20.24	20.42	20.25
Aug	20.41	20.35	20.52	20.35
Sep	20.50	20.44	20.60	20.47
Oct	20.48	20.45	20.57	20.48
Nov	20.50	20.45	20.55	20.49
Dec	20.50	20.44	20.65	20.48
Jan	20.46	20.44	20.57	20.47
Feb	20.46	20.44	20.55	20.45

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5355	5277	5385	5320
Jun	5270	5209	5305	5240
Sep	5470	5405	5485	5449
Nov	5625	5560	5625	5625
Dec	5720	5635	5725	5690
Jan	5740	5665	5740	5710

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1034	1023	1047	1025
Jul	1046	1039	1059	1042
Sep	1064	1053	1078	1057
Dec	1085	1077	1095	1078
Mar	1105	1098	1111	1102
May	1116	1110	0	0
Jul	1125	1120	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	98.75	89.65	90.75	98.75
May	90.08	91.21	91.80	89.50
Jul	91.88	93.40	93.50	91.40
Sep	93.75	95.12	95.35	93.50
Dec	95.75	97.00	97.50	95.75
May	99.88	101.38	0	0
Jul	102.75	103.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.79	15.83	15.96	15.67
Jul	15.72	15.70	15.88	15.60
Oct	15.20	15.24	15.35	15.15
Mar	14.19	14.19	14.29	14.14
May	14.05	14.06	14.07	14.05
Jul	13.95	13.99	13.95	13.95

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	69.85	70.61	70.85	69.81
Jul	70.31	70.92	71.10	70.30
Oct	66.05	66.50	66.50	66.00
Dec	64.60	65.00	65.10	64.55
Mar	65.50	65.80	65.90	65.50
May	66.50	66.25	0	0
Jul	66.50	66.80	66.50	66.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	191.25	189.05	191.50	188.50
Jul	189.00	186.50	189.00	186.50
Sep	189.25	182.50	189.75	182.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 20	Mar 19	mnth ago	yr ago
1910.6	1919.6	1904.6	2012.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 20	Mar 19	mnth ago	yr ago
Spot	133.45	133.98	130.10	138.26
Futures	133.00	133.75	132.31	140.26

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	592/0	592/4	595/4	591/0
May	602/2	602/6	605/4	601/0
Jul	615/4	616/0	619/2	614/4
Aug	619/4	620/2	623/4	619/0
Sep	619/0	619/4	624/0	619/0
Nov	624/4	626/4	628/4	624/0
Jan	634/0	636/0	639/4	634/0
Mar	644/4	646/0	648/0	644/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.16	22.58	22.45	22.06
May	22.26	22.65	22.63	22.20
Jul	22.39	22.70	22.67	22.35
Aug	22.30	22.50	22.48	22.25
Sep	22.00	22.28	22.20	22.00
Oct	21.77	22.07	22.00	21.76
Dec	21.67	21.92	21.88	21.60
Jan	21.57	21.70	21.78	21.55

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	171.0	170.5	174.0	171.0
May	173.9	171.8	174.7	172.5
Jul	175.1	176.2	179.0	176.8
Aug	180.2	178.5	180.6	179.2
Sep	182.0	180.3	182.5	181.3
Oct	183.4	181.6	183.5	182.2
Dec	186.5	185.6	188.8	185.3
Jan	188.0	186.7	188.2	187.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	250/0	253/0	253/0	248/4
May	257/2	259/2	259/2	257/0
Jul	261/6	264/2	264/2	261/4
Sep	258/6	260/6	260/6	258/2
Dec	257/2	259/2	259/0	256/6
Mar	262/4	264/4	264/0	261/6
May	264/2	266/4	265/4	264/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	404/4	402/2	406/0	400/4
May	359/2	361/0	363/0	357/2
Jul	343/4	343/0	345/0	342/4
Sep	350/4	350/2	352/0	349/4
Dec	362/4	362/6	364/4	362/2
Mar	370/0	370/0	370/4	370/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	76.62	76.92	77.10	76.50
Jun	71.85	72.15	72.42	71.82
Aug	71.67	71.62	72.12	71.62
Oct	73.50	73.47	73.77	73.45
Dec	73.95	73.85	74.12	73.85
Feb	74.05	74.00	74.25	74.05
Apr	74.40	74.50	74.60	74.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Market rebounds from a shaky start

A GENERALLY cool review of the UK Budget from investment analysts in the City of London brought a heavy markdown in share prices at the opening of the London equity sector yesterday. However, the market bounced satisfactorily on its nearest support level and, helped by a parallel rally in Government bonds, share losses were substantially reduced before the close.

Equity traders arrived early yesterday morning well aware that the market would open sharply down. Morning postbags were heavy with Budget reviews by the leading firms, in almost every case criticising the Budget for undue laxity.

Account Dealing Dates			
First Dealings:	Mar 12	Mar 26	Apr 9
Option Declarations:	Mar 22	Apr 5	Apr 26
Last Dealings:	Mar 23	Apr 6	Apr 27
Account Day:	Apr 2	Apr 17	May 8

*New time dealings may take place from 9.00 am two business days earlier.

The day started badly with sterling weaker and UK bonds down heavily again.

The burden of complaint was that the absence of fiscal tightening in the Budget might leave sterling vulnerable and undermine hopes of any early relief on the interest rates front. Goldman Sachs, the US investment house, said the most likely possibility was that base rates would stay at 15 per cent but that "the next best bet" was that rates would have to rise again. S.G. Warburg saw "no possibility whatever" of any rate cut in the near-term, with the chance that currency weakness could force a rate rise. BZW trimmed its year-end Footsie forecast from 2,550 to 2,475.

With half an hour of the official opening, the FT-SE Index was 29.6 points down, although there was not much selling, either real or attempted. Indeed, much of the day was taken up with strategy meetings as the leading market firms decided what advice to give to clients. Mr Bob Semple, of County NatWest, advised "keeping away from domestic stocks and moving towards shares relatively immune to UK factors."

Some brewing issues improved on the back of the relatively favourable treatment in the Budget. Bank shares, however, reacted cautiously to the Budget provisions on lesser developed country debt, although the banks themselves are known to be pleased.

The market, which faces new challenges today in the form of the UK trade figures for February and the important Mid-Staffordshire Parliamentary by-election, remained inactive throughout the session. Seaq volume of 444.4m shares, against Tuesday's 376.2m, included a high proportion of inter-market deals as the big securities houses sorted through their trading books.

A gentle rally was made during the session, which closed with the FT-SE Index at 2,250.3, a fall on the day of 9.4 points.

The FT-SE Index Steering Committee decided yesterday on the deletion of ECC Group, formerly English China Clays, from the Footsie Index, and its replacement by Northwest Water. The change will apply from the first trading day in April.

FINANCIAL TIMES STOCK INDICES

	Mar 21	Mar 20	Mar 19	Mar 16	Mar 15	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	75.91	76.79	77.12	77.80	77.02	86.19	89.29 (8/2/89)	75.91 (21/3/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.14	86.57	86.56	86.60	86.47	96.84	99.59 (15/3/89)	86.14 (21/3/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1771.4	1777.6	1759.9	1789.4	1765.7	1690.5	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	294.7	295.5	292.6	285.6	283.5	194.3	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2250.3	2259.7	2238.0	2263.9	2234.9	2048.6	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.96	4.94	5.00	4.90	4.98	4.56				
Earning Yld %(full)	11.76	11.72	11.85	11.51	11.69	11.24				
P/E Ratio(net)(*)	10.30	10.32	10.21	10.50	10.34	10.91				
SEAQ Bargains(5pm)	25,786	23,383	27,243	26,144	24,252	29,491				
Equity Turnover(£m)†	-	676.77	872.06	830.12	675.22	1112.43				
Equity Bargains†	-	25,394	28,478	28,330	26,550	33,918				
Shares Traded (mil)†	-	224.1	290.6	418.5	331.2	423.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 3/1/83. (r) Nil 10.24

Ordinary Share Index, Hourly changes — Day's High 1771.4 — Day's Low 1755.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1760.6	1756.7	1760.9	1765.9	1763.3	1768.5	1767.4	1769.4

FT-SE, Hourly changes — Day's High 2250.3 — Day's Low 2230.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2239.4	2232.6	2239.5	2245.4	2245.7	2247.3	2248.3	2248.3

GILT EDGED ACTIVITY

Indices	Mar 20	Mar 19
Gilt Edged Bargains	90.6	94.5
5-Day average	86.9	88.1

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

Patent dispute continues

Carlton Communications' decline since the start of the year was given another twist yesterday by developments in two disputes over patents on Paintbox, the company's video special effects generator.

Carlton received £1.6m damages in one case from Avesco/Spaceward Microsystems and also obtained an injunction against Electronic Graphics preventing that company from making or selling its product in the UK.

However, Electronic Graphics, one of whose owners, Mr Mike Luckwell, is a former Carlton managing director, said it would continue its action through the Patent Office. The company also plans; "to adopt an additional attack from a different direction and hope to make an announcement shortly."

Carlton lost 19 to 696p, while Avesco shed 4 to 68p. Turnover in Carlton was an unusually high 2.4m shares.

Mr Bruce Jones, an analyst at Kitcat & Aitken, said that a resolution to the dispute looked unlikely in the short term. "Electronic Graphics' continued action cannot help the Carlton share price," he said.

Shares in Carlton Communications are now moving close to the low point of the past eighteen months measured against the FT-SE 100 index.

Ferranti rallies

Business in Ferranti, the slimmed down electronics group, was again active yesterday with 9.3m shares moving through the Seaq system and the price rising 3 to 42p. On Tuesday 7.5m shares changed hands. The latest burst of activity came as Mr Eugene Anderson, the new chairman/chief executive, completed a third day of meetings with Ferranti's big institutional shareholders.

Mr Anderson, who built up a considerable fan club among fund managers during his tenure at Johnson Matthey, is said to have reassured the institutions, saying that Ferranti's long-term future is assured, that the group is trading at a profit and that high borrowings are being eliminated by disposals. The group is thought to be capable of a turnover of £600m in its new post-disposals form, with the emphasis on the software businesses.

Ferranti shares touched 113½p last year before tumbling in the wake of the alleged £215m fraud involving International Signal. This led to Ferranti selling its defence businesses to GEC for £300m-plus.

Abbey, TSB wanted

Abbey National and TSB, the two high street banks with no exposure to lesser developed country debt (LDC), outperformed the big four banks as analysts took a bullish view of the Budget proposals, including the encouragement of personal savings.

BZW, describing the TESSA – tax exempt special savings accounts – proposals as "broadly positive," said the expected influx of new depositors to banks and building societies will provide a welcome boost in savings business." BZW said "there is also a slight positive (factor) with regard to tax relief on LDC provisions."

Abbey closed 2 ahead at 192½p, having matched the year's peak of 195p early in the session, with turnover reaching 7.2m shares. TSB, on 4.1m, moved up 3 to 137p. The "big four" drifted back.

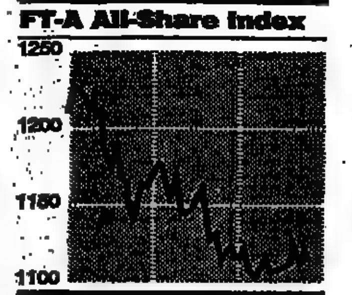
Schroders rose 15 to 1690p after the merchant bank revealed preliminary profits up from £30.07m to £46.65m and a final dividend of 19p, making 26p for the year.

The outstanding performance in the insurance sectors came from Britannic, the life assurer, which advanced 33 to 593p following a better-than-expected final dividend of 14.25p, against 11p. This brought the year's payment to 20.75p, compared with a total of 16.6p in 1988; "an outstandingly good dividend, which hopefully will have a knock-on effect in the sector, noted one dealer. Most analysts had been looking for a year's payment of below 20p.

The company's full-year figures, showing profits up from £13.34m to £15.58m were at the top end of expectations.

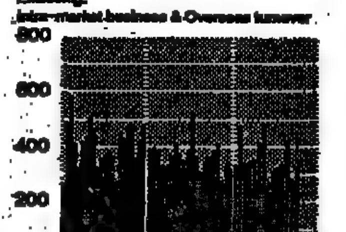
The other life stocks drifted back with Legal & General closing 4 off at 374p and Prudential 5 down at 199p, after 198p. Mr Youssef Ziai, life sector analyst at UBS Phillips & Drew, said on balance the Budget is mildly negative for the life sector and reaffirmed his sell stance on Legal & General. BZW highlighted the possibility that TESSA could be used as an alternative to endowment mortgages. "If TESSA does replace the endowment mortgage then it is bad news for the life assurance industry and Legal & General in particular," BZW said.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Wellcome bucked the trend when news leaked out that the pharmaceuticals team at BZW was about to publish a study of the prospects for the Aids treatment Retrovir. The shares added 8 at 686p. BZW said the study would be published "on Friday or Monday."

Reuters climbed 8 to equal its all time high of 1088p set on December 13 1989. The company benefits from a weak sterling, especially in relation to the D-Mark, with overseas earnings accounting for about 80 per cent of revenues.

Dealers noted UK institutional buying as well as the usual US interest. Mr Brian Newman at Henderson Crosthwaite said: "With the UK institutions joining the US as big buyers the shares look set to run ahead of the annual report, due on April 3, and a presentation to the Society of Investment Analysts the same day."

Leather company Strong & Fisher dropped 12 to 31p as the market waited for news of the company's renegotiation of its borrowings. Some dealers said sentiment had been affected by full-year results from USM-quoted furniture supplier World Of Leather. The company posted a small loss compared with a £2.1m profit last time. The shares fell 5 to 70p.

Independent radio stocks retreated further on fears of the extent of the downturn in advertising expenditure. Capital Radio fell 13 to 160p while GWR shed 20 to 445p.

The impact of Sainsbury's pay award to its retail staff continued to ripple through the food retailing sector. Turnover was heavier than usual and prompted some dealers to speculate that a programme trade had been executed in the sector. "It looks as if someone decided to get out after Tuesday's announcement," said one dealer. He cited trades close of around 1m in Sainsbury's, Asda and Argyll as evidence of this. Tesco also traded heavily, 5.2m by the end of the session, but this was not thought to have been part of any programme trade.

Mr Bill Currie of Hoare Govett said: "In the past few years, food retailers have been able to make up the gap between wage and food inflation through increasing its gross margins. But if food inflation falls and with these sorts of wage awards, profits growth could be squeezed." He calculated that 50 to 60 per cent of food retailers operating costs were payroll related. Asda closed 3 lower at 106p, Argyll was a penny easier at 205p, Sainsbury closed 3 lower at 256p, while Tesco was off 1 at 197p.

Pearson slid 11 to 645p on continued vague talk of a US acquisition. Analysts were sceptical of the possibility, however, and Pearson said the suggestion "was pure rumour." The company's full-year figures are due on March 30.

Rosehaugh was up 2 at 254p on the success of its rights issue and on talk that the balance, 1.9m ordinary shares not taken up by shareholders, or 3.1 per cent of the issue, were placed in the market at 253p.

A number of big individual trades, including one of 3.1m shares, boosted turnover in Racal Electronics to 7.8m as the share price wilted to close 3 off at 206p, after 202p. The weakness came as it was revealed that US investors have reduced their holdings in the stock to 270.5m shares, or 20.87 per cent. One UK analyst said: "There is no doubt that Racal Electronics stock is returning to the UK from the US, where there is now a degree of disillusionment with the cellular business. Most US cellular companies are still trading at a loss," Another said US investors would be unhappy holding the Racal stocks "as long as the pound is heading south."

ICI shares followed the market direction to end 9 down at 1128p. Early yesterday, the company's subsidiary ICI Australia issued a profits warning saying profits for the six months to March 1990 would be half the previous year's figure of A$88.5m. Following that announcement, BZW downgraded profit expectations from £1.5bn to £1.42bn in 1990, and trimmed the 1991 forecast by £100m to £1.45bn. Mr Martin Evans at BZW said the Australian subsidiary contributed 10 per cent to the group's overall profits thus "sentiment is not likely to be helped by news such as this and in the short term the shares are not likely to outperform, particularly after their recent run."

Laporte closed 16 up at 517p, as the company reported a 12.3 per cent increase in full year figures to £70.5m. Mr Andrew Benson at Robert Fleming welcomed the results but warned that this year "the potential to make progress will be difficult given the fact that 80 per cent of the subsidiaries sales are in the UK, US, and Australia which are difficult economies at the moment." He predicted 1990 profits of £105m. BZW, the company's broker were encouraged by the results and upgraded 1990 profit expectations by £5m to £115m.

Shares in Cookson were among a handful that bucked the market trend ending 4 better at 236p. The company is due to report full year figures today. Robert Fleming is predicting profits of £194m for 1989, while BZW's prediction is a £1m lower at £193m.

Trafalgar House closed 3 down at 331p, as Hoare Govett weighed in with a profits downgrading. Hoare cut expectations for the year to September 1990 by £15m, to £285m, and the 1991 figure by £20m to £315m. The broker pointed to the slowdown in the group's commercial and residential property, and the squeeze on UK and international construction margins, though Mr David Ireland at Hoare pointed out that margins in Hong Kong were holding up well.

ADT bucked the market to end 3¼ better at 189½p after Laidlaw, the Canadian group, said its holding in ADT was now 27.5 per cent, down from 29 per cent, following ADT's issue of shares in connection with the offer for Britannia Security Group and conversions of convertible preference shares.

Overseas buying interest continued in Rolls-Royce helping the shares remain steady at 186p, unchanged on the day. Sentiment in the shares was helped by speculation that a UK ADR listing for the company would take place within the next few weeks.

Domestic buyers going for the company's high yield, along with overseas interest made British Steel a firm market, the shares closing a penny dearer at 145p, with Warburg showing a keen interest. A hefty 9.5m shares had been traded by the market close.

The visit of analysts next week to Grand Metropolitan's Pillsbury operation in the US continued to fuel demand for the stock. The shares were additionally bolstered by the publication, due next week, of a Laing and Cruickshank review of the company, and suggestions that another broker had calculated a high break-up value for Grandmet. The buying interest led to a shortage of stock and the price rose 16 to 583p, the day's biggest riser in the FT-SE 100.

Highland Distillers continued to weaken in the light of the higher-than-inflation increase in excise duty on spirits announced in the Budget. The shares closed 6 down at 257p.

Guinness added 4 at 670p ahead of full-year figures.

The subscription of new capital into Parrish, the publicly quoted stockbrokers, triggered a much-needed recovery in the shares. They rose to 30p before closing 5 higher on balance at 27p. The subscribers are clients of the Newcastle-based stockbroking firm Lovell & Co and further details will be announced shortly.

■ Other Market statistics, including the FT-Actuaries share index, Page 29

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	4,100	189½	+3½
ASDA Group	2,300	106	-3
Abbey National	7,200	192½	+2
Allied-Lyons	2,000	439	+4
Amstrad	2,600	59	-1
Anglian Water	586	170	+2
Argyll Group	3,600	205	-1
Ass. Brit. Foods	62	590	-4
BAA	986	363½	-½
BAT Inds.	1,400	814	-2
BET	2,700	223	-2
BICC	889	441	-4
BOC	1,600	539	-3
BPB Inds.	612	221	-3
BTR	2,000	424	-3
Barclays	2,900	567	-6
Bass	969	913	+6
Beazer	951	[illegible]	[illegible]
Berisford Int.	3,500	133	
Blue Arrow	16	92½	+1½
Blue Circle	1,800	219	+3
Boots	999	285	-3
Brit. & Comm.	628	93	-2
Brit. Aerospace	1,000	488	-6
British Airways	11,000	214	
British Gas	6,100	212	-1
British Land	80	326	-6
BP	4,000	332	-3
British Steel	9,600	145	+1
British Telecom	6,900	275½	-1½
Bunzl	1,300	164	-1
Burmah Oil	882	595	-3
Burton	1,200	181	-2
Cable & Wire.	459	537	-6
Cadburys	2,200	304	-1
Calor Group	129	384	-1
Carlton Comms.	2,400	696	-19
Coats Viyella	1,700	131	-1½
Comm. Union	386	484	-3
Cookson	1,500	236	+4
Courtaulds	1,100	323	+6
Dalgety	830	305	-1
Dixons	1,600	[illegible]	[illegible]
ECC Group	953	375	-2
Enterprise Oil	306	604	-6
FKI	1,900	[illegible]	[illegible]
Ferranti	[illegible]	42	+3
Fisons	1,000	332	
Gen. Accident	369	[illegible]	-1
General Elect.	2,700	203½	-1½
Glaxo	7,400	806	-16
Globe Inv.	4,000	171½	-1½
Glynwed Int.	1,300	247	-1
Granada	1,000	208	-1
Grand Met.	2,900	583	+16
GUS A	596	[illegible]	-6
GRE	1,200	219	-2
GKN	494	401	-3
Guinness	1,700	670	+4
Hammerson "A"	487	700	-11
Hanson	5,200	228¾	+½
Hanson Warrants	1,400	54½	-½
Harrisons Cros.	571	154	+1
Hawker Sidd.	328	654	-8
Hillsdown	2,300	237	-6
IMI	335	224½	-3½
ICI	1,800	1128	-9
Inchcape	388	[illegible]	+3
Kingfisher	747	275	-8
Ladbroke	1,400	290	-3
Land Securities	588	485	-7
Laporte	488	517	+16
Legal & General	1,300	374	-4
Lloyds Abbey	140	311	-4
Lloyds Bank	1,100	285	-3
LASMO	495	[illegible]	-11
Lonrho	3,200	277	-4
Lucas	821	616	-8
MB Group	1,100	203	
MEPC	571	466	-6
Marks & Spencer	2,700	192	-1
Maxwell Comm.	117	195	-3
Mecca Leisure	461	124	-3
Midland Bank	1,900	336	-3
NatWest Bank	2,100	342	-2
Next	2,200	86	-3
North West Water	282	154	
Northern Foods	165	[illegible]	-3
Northumbrian Water	60	[illegible]	-1
Pearson	49	645	-11
P & O	719	583	+3
Pilkington	664	213	-2
Polly Peck Intl.	1,600	371	-1
Prudential	3,000	199	-5
RHM	367	372	-6
RMC	564	637	+1
RTZ	1,100	540	-6
Racal	7,800	206	-3
Racal Telecom	889	363	-5
Rank Org.	626	779	-1
Reckitt & Colman	363	1106	-6
Redland	1,200	530	-1
Reed Intl.	644	[illegible]	-3
Reuters	930	1088	+8
Rolls Royce	6,700	186	
Rothmans	108	[illegible]	-5
Ryl Bk Scotland	1,300	182	-1
Royal Insurance	962	469	+2
STC	2,700	294	-1
Saatchi	2,300	133	-1
Sainsbury	2,500	256	-3
Scottish & New.	1,300	292	+1
Sears	2,600	86	
Sedgwick	2,100	[illegible]	-4
Severn Trent Water	1,500	141½	+½
Shell Transport	2,600	463	+1
Siebe	78	434	-2
Slough Ests	816	288	-5
Smith (W.H.) A	828	294	-3
Smith & Nephew	3,100	124½	+1
SmKl Beecham	1,300	492	+3
SmKl Beecham Units	66	2205	+40
South West Water	1,500	158	+1
Southern Water	1,200	138	-1
Smiths Inds.	1,200	345	-1
Standard Chartd.	1,100	544	-1
Storehouse	3,100	121	-1
Sun Alliance	1,700	287	-1
Sun Life	6	1203	-2
T&N	165	195	
TI Group	1,100	447	-4
TSB	4,100	137	+3
Tarmac	835	230	-3
Tate & Lyle	189	279	-4
Taylor Woodrow	219	[illegible]	-4
Tesco	5,200	197	-1
Thames Water	256	153	+1
THORN EMI	721	702	-16
Trafalgar House	906	331	-3
Trusthouse Forte	830	280	-2
Ultramar	734	366	-1
Unigate	403	[illegible]	-3
Unilever	1,400	665	+2
United Biscuits	1,700	320	-2
Utd. Newspapers	887	340	-1
Water Package Uts.	3	£1050	+2
Wellcome	308	686	+8
Welsh Water	755	174	
Wessex Water	384	195	-1
Whitbread 'A'	471	373	+3
Williams Hldgs.	298	[illegible]	-3
Willis Faber	730	242	-3
Wimpey	1,900	245	-1
Yorkshire Water	1,600	172	+3

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (25).
BRITISH FUNDS (1) AMERICANS (4) CANADIANS (2) BANKS (1) ELECTRICALS (2) HOTELS (1) INDUSTRIALS (9) China Light, Jardine, Jardine Strategic, Schlumberger, Tech. Project Serv., MOTORS (1) TRUSTS (1) OILS (1).
NEW LOWS (223).
BRITISH FUNDS (73) INT.BANK & O'SEAS GOVT. STLG. ISSUES (6) FOREIGN BONDS (2) CANADAINS (1) BANKS (1) BREWERS (4) BUILDINGS (8) STORES (14) ELECTRICALS (6) ENGINEERING (10) FOODS (7) HOTELS (1) INDUSTRIALS (28) Alumasc, Arley, Barlo, Benson Group, Continuous Stationery, Courtney Pope, Dobson Park, Granada, Do. 7½pc Net Cv., Hay (Norman), Hunting 5¼pc PL, IWP Int'l., Mayborn, Morris & Crane, Porter Chadburn, Powell Duffryn, Reed Executive, Select Appointments, Spong, Stonehill, URS Int'l., Unigroup, West Inds., Whitecroft, Widney, Wills, LEISURE (7) MOTORS (2) NEWSPAPERS (1) PAPERS (7) PROPERTY (32) SHOES (2) TEXTILES (6) TOBACCOS (1) TRANSPORT (2) TRUSTS (9) WATER (2) OILS (2) MINES (1) THIRD MARKET (3).

APPOINTMENTS

Scottish Widows' directors

■ SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY has appointed Mr David Ritchie and Mr Michael Ross to the board in the new posts of deputy managing director. Prior to their promotion Mr Ritchie was general manager responsible for investments and corporate planning, and Mr Ross was general manager in charge of the actuarial and accounts departments. They will retain these responsibilities, and will be increasingly involved in the overall development of the company.

■ H. & G. ENGINEERING has appointed Mr Frank Hart as its managing director from April 2. He was an executive director of Babcock Energy and chief executive of Babcock Contractors.

■ Mr John J. McLachlan, investment manager of UNITED FRIENDLY INSURANCE, has been promoted to the board. He is a non-executive director of Iceland Frozen Foods Holdings.

■ Mr Michael Miles has joined the board of PORTALS HOLDINGS as a non-executive director. He is an executive director of John Swire & Sons, and holds several other non-executive board appointments. Following his appointment as chairman-elect of the Halifax Building Society, Mr John Foulds has resigned as a non-executive director of Portals Holdings.

■ MBS, a computer maintenance company, has appointed Mr David Ewart as a non-executive director. He was finance director at Morgan Grenfell.

■ LEXTERTEN, a UK manufacturer and retailer of reproduction furniture, has appointed Mr Kevin Boast as sales and marketing director.

■ Mr Brian Hartigan has been appointed managing director of HSS HIRE SHOPS and joins the board of the HSS Hire Group, part of John Mowlem and Company. He was deputy managing director.

■ Mr Raymond J. McLoughlin, chief executive of James Crean, has joined the board of AIB GROUP.

■ Following the appointment of Mr R. Barber as non-executive chairman, ASTRA HOLDINGS has named Mr A.J. McCann as chief executive and Mr P. Collins as finance director. Mr McCann was a director of the Littlewoods Organisation and Mr Collins financial director of Tern. Mr C.W. Gumbley has resigned.

■ SHEPPARDS has appointed Mr Clive Brangwin as chairman designate of Sheppards Asset Management. He was formerly managing director at Citicorp Investment Management.

■ Mr Geoffrey H.B. Carter has been appointed to the board of GROSVENOR ESTATE HOLDINGS. He was appointed chairman of Grosvenor Developments, the property development arm of the Grosvenor Estate, in July 1988.

■ Mr J.H. Purdy has become acquisitions director of DAVY CORPORATION's services division, based at Sutton Coldfield.

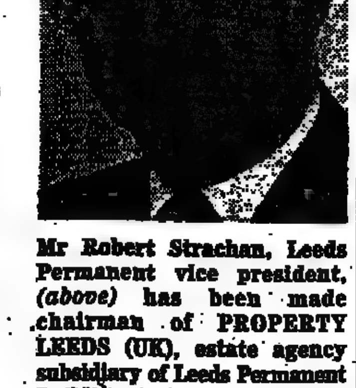
■ MILLWALL HOLDINGS has appointed Mr David Marks as financial controller. He was with Hacker Young and Stoy Hayward.

■ Mr David Downes has been appointed group finance director of HUNTER SAPHIR. He was finance director of the brewing division of Grand metropolitan, and latterly group finance director of MBS.

■ Mr Leonard Drysdale, director and general manager, has been promoted to managing director of OLDHAM CROMPTON BATTERIES, part of the Hawker Siddeley Group.

■ Mr David Littleford joins OTIS ELEVATOR as the UK group personnel director with special responsibility for group quality. He was previously group personnel director, Birmingham operations, for Austin Rover.

■ HAFNIA HOLDINGS (UK) has appointed Mr Ewen MacPherson and Mr David Somerset as directors. Both are directors of Prolific Group.



Mr Robert Strachan, Leeds Permanent vice president, (above) has been made chairman of PROPERTY LEEDS (UK), estate agency subsidiary of Leeds Permanent Building Society. He replaces Mr Leonard Hyde who has retired.

■ SAUDI INTERNATIONAL BANK has appointed as non-executive directors Dr Khaled M. Al-Fayez, chief executive officer of Gulf Investment Corporation, Kuwait, and Mr Richard A. Debs, an advisory director of Morgan Stanley International.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ $A1	253	......	44c	1.4	7.9	9.0
196	134	Abbey National 10p	292½	+2	5.7	4.3	3.9	7.8
*282	120½	Allied Irish Ord	263	......	‡Q68%	3.3	3.1	13.5
£13¼	£11⅛	Algemene Fl.10	£13¼	+⅛	Q28%	2.0	6.7	7.4
*85	61	Anglo Irish	88	−5	Q11.7%	2.7	5.5	10.9
81	57	Ansbacher (H.) 1p	79	......	2.5	1.3	4.6	21.0
£72¼	£38¼	Bancaire Cie Fr100	£62⅞	......	Q12½%	—	2.2	—
£46¾	£35⅛	Banco Bilbao Viz	£36¼	−⅛	Q35.7%	2.0	4.0	12.6
£33	£25⅛	Banco de Santander	£26½	......	Q25%	2.4	4.2	9.9
*286	169	Bank Ireland Ir£1	263	......	‡Q12.7%	3.2	4.4	9.0
£19½	£17½	Bank Leumi	£19½	......	—	—	—	—
350	320	Bank Leumi (U.K.)	345	......	†13.5	—	5.2	—
125	88	Bank Scotland	118	......	†3.8	3.6	4.3	8.5
111¼	90	Do. 9¼ pc Irrd Pf	90½	−1½	9¼%	—	13.6	—
*67	49	Bank of Wales	52	......	2.8	1.6	7.2	10.9
*588	404	Barclays £1	567	−6	27.4	3.6	6.4	5.6
31	17	Beachmark 20p	17	......	1.63	1.0	13.3	9.3
363	285	Brown Shipley £1	313	−1	†10.5	—	4.5	—
455	325	Cater Allen £1	410	−3	23.5	—	7.6	—
259	149	Chancery	152	......	†8.0	2.8	7.0	6.7
£23¾	£14½	Commerzbk DM10	£22½	+¼	Q18%	—	2.9	—
*£29	£22¼	C'hgn. Hbk. Kr100	£24½	−1¼	Q15%	—	5.6	—
£16⅞	610	Dai Ichi KBk Y50	£18½	+¼	‡Q16%	8.8	0.3	37.5
*£314	£156¼	Deutsche Bk DM50	£296¼	+5¼	Q24%	—	1.4	—

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS — Contd

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	975	DAF N.V. Fl5	£12¼	+30	Q50%	♦	6.7	♦
162	113	General Mtrs Units	149	+3	♦ Q21½%	–	5.0	–
*61½	27	♦March Group 5p	34	–2	–	–	–	–
£224½	£94½	Volkswagen DM50	£226½	+4½	♦Q20%	2.8	1.6	23.8
£51⅞	£33¼	Volvo Kr25	£36⅝	+⅛	Q56%	3.1	3.9	8.3

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*508	198	ERF (Hldgs)	198	–10	15.0	3.7	10.1	3.5
*245	150	Plaxton Grp	158	–2	8.5	♦	7.2	♦

Components

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
438	375	Abbey Panels	438	–	3.9	10.8	1.1	11.6
290	185	Airflow Streamlines	218	–2	6.0	4.2	3.7	8.7

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	820	–
Finlay Pkg. 5p	58	+1
Holt (Jos) 25p	1345	+2

IRISH

Stock	Price	+ or –
Cap. 8¾% Ln. 1991	£96	–
9pc Cap Ln. 1996	£90½	–¼
Fin. 13% 97/02	£107½	–
Arnotts	458	+5
Carroll (P.J.)	162	–
Hall (R. & H.)	188	–
Heiton Hldgs	90	–
United Drug	165	–2

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	55
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	17
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	58
Polly Peck	37
Racal Elect	29
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	28
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Stock	p
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Stock	p
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Stock	p
Lonrho	22
RTZ	45

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	53.82	53.82xd	57.57	+0.36	4.78
Gilts & Fixed Int	6	100.3	100.3xd	106.4	-0.6	10.38
High Inc Equity	6	130.9	134.3	142.9	-0.5	4.44
Worldwide Bond	6	201.1	201.1xd	213.0	+2.4	[illegible]
Capital Growth						
American Growth	6	197.4	199.2	212.0	+2.0	0.47
Asian Pacific	6	136.4	139.4	148.4	+2.9	0.00
Assets & Earnings	6	151.2	151.2	161.0	-0.8	3.00
Capital Reserve Acc	0	89.10	89.10	89.26	-0.15	6.72
Capital Reserve Inc	0	74.44	74.44xd	74.58	-0.14	[illegible]
Commodity & Energy	6	112.2	112.2xd	120.1	+0.3	0.70
Dividend & Growth	6	[illegible]	46.01	48.95	-0.37	[illegible]
1992 Enterprise	6	60.15	61.52	65.45	+0.25	2.44
Euro Capital Acc	6	104.2	104.2	111.5	+0.3	0.85
Euro Capital Inc	6	100.4	100.4xd	107.4	+0.3	[illegible]
General	6	168.4	168.4	180.2	-1.6	2.77
International	6	61.96	62.95	66.97	+0.45	0.75
Japan	6	98.74	98.74	105.7	+1.5	[illegible]
Mastertrust	6	90.06	90.06	96.33	+0.59	1.56
UK Growth Acc	6	172.9	172.9	185.0	-0.5	1.54
UK Growth Dist	6	114.3	114.3	122.3	-0.4	2.32
US Emerging Cos	6	58.49	59.91	63.74	[illegible]	[illegible]
Income & Growth	6	291.0	291.0	311.3	-1.8	3.29
Ethical	6	47.34	47.34	50.53	[illegible]	[illegible]

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer Inc & Growth	5¼	33.60	33.60	35.87	+0.43	2.26
European	5¼	91.99	92.17xd	98.39	+1.25	0.00
European Income	5¼	88.36	88.36xd	94.28	+1.23	1.62
Exempt	1	734.6	734.6	736.4	-1.80	1.50
Extra Income	5¼	41.16	41.16xd	43.93	-0.15	4.30
Far East Emrg Econ	5¼	64.65	65.15	69.77	+1.07	0.01

Brynmorrt Unit Tst Mngmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JB 01-486 [illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Income Growth	1	180.6	180.6	195.3	—	[illegible]

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Emerging Gwth	5	58.13	58.13	61.47	-0.34	3.26
(Accum Units)	5	60.19	60.19	63.65	[illegible]	3.26
Fellowship Tst	5	61.22	62.49	66.31	+0.3	4.28
(Accum Units)	5	64.01	65.34	69.33	+0.30	4.28
General Inc	5	286.6	286.6	303.1	-1.5	3.46
(Accum Units)	5	491.2	491.2	519.4	-2.5	3.46
Income	5	152.7	156.0	164.5	-0.7	4.49
(Accum Units)	5	302.7	307.5	326.1	-1.4	4.49
International	5	115.6	116.6	122.3	+2.6	1.25
(Accum Units)	5	159.8	159.8	169.0	+3.5	1.25
Smaller Co's	5	100.2	100.2	106.0	-0.1	2.23
(Accum Units)	5	111.1	111.1	117.5	-0.1	2.25
Inv Portfolio	3½	53.09	54.20	55.88	[illegible]	3.27
(Accum Units)	3½	[illegible]	[illegible]	[illegible]	[illegible]	3.27
High Income Port	3½	44.92	45.67	47.33	[illegible]	[illegible]

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7226

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
CCF Sel High Inc Eqty	5¼	46.25	46.25	49.99	-0.18	5.5
CCF Sel Intl Gwth	5¼	47.89	47.89	51.46	-0.19	1.41
CCF Sel Inv Tst	5¼	45.96	45.96	49.98	-0.15	2.8
CCF Sel UK Sm Cos	5¼	45.25	45.25	[illegible]	[illegible]	1.6

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 01-234 [illegible]

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

GUIDE TO UNIT TRUST PRICING

[illegible]

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	53.29	54.09xd	57.69	+0.80	0.29
(Accum Units)	5	54.84	55.66xd	59.36	+0.81	0.29
European Opps	5	79.07	79.56	84.86	+0.38	0.00
(Accum Units)	5	79.50	80.00	85.33	+0.38	0.00
Far Eastern Opps	5	136.26	136.68xd	145.72	-2.64	0.00
(Accum Units)	5	137.13	137.50xd	146.65	-2.66	0.00
Golden Opps	5	45.47	45.47	48.49	-0.30	0.00
(Accum Units)	5	46.77	46.77	49.87	-0.31	0.00
Intl Hi-Yield	5	60.07	60.55	64.58	+1.07	4.26
(Accum Units)	5	65.49	66.01	70.40	+1.17	4.26
Sanyo Japan Tst	5	65.29	65.29	69.63	+1.23	0.00
(Accum Units)	5	65.29	65.29	69.63	+1.23	0.00
Kangaroo	5	32.02	32.02	34.14	-0.19	1.52
(Accum Units)	5	32.20	32.20	34.34	-0.19	1.52
Oriental Income	5	34.08	34.12xd	36.38	+0.54	5.14
(Accum Units)	5	38.72	38.76xd	41.33	+0.61	5.14
Pacific Technology	5	61.37	61.57xd	64.87	+1.16	0.00
(Accum Units)	5	61.87	61.87xd	65.39	+1.16	0.00
Tiger	5	156.00	156.00	166.39	+3.63	0.67
(Accum Units)	5	158.43	158.43	168.98	+3.68	0.67
UK Hi-Yield	5	42.80	42.80	45.65	-0.10	5.01
(Accum Units)	5	48.94	48.94	52.19	-0.12	5.01
UK Opps	5	56.74	56.52xd	60.43	-0.37	0.70
(Accum Units)	5	58.47	61.49xd	65.76	-0.39	0.70
Three Counties Asset Mangt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	90.38	92.01	97.88	-0.73	4.00
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
3 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	48.85	48.85	52.10	-0.02	0
TR Eur Sp Sits Acc	5¼	44.53	44.53	47.46	+0.30	0
TR Eur Sp Sits Inc	5¼	43.66	43.66	46.54	+0.30	0
TR Far East Opps Inc	5¼	23.75	23.75	25.00	—	—
TR Far East Opps Acc	5¼	23.75	23.75	25.00	—	—
TR General Growth	5¼	73.99	73.99	78.07	-0.16	2.83
TR Global Tech	5¼	76.80	76.80	81.92	-0.16	0
TR Income Growth	5¼	84.87	85.37	90.81	-0.44	4.48
TR Income Monthly	5¼	53.02	53.02	56.40	-0.37	7.13
TR Japan Growth	5¼	85.03	85.03	90.22	+0.54	0
TR Overseas Growth	5¼	68.18	68.18	72.80	+0.88	0
TR Smaller Cos	5¼	77.38	77.38	82.51	-0.64	3.13
TR Special Opps	5¼	85.93	85.93xd	91.41	-0.77	3.05
TR Mgd Eq Plan Acc	5¼	34.04	34.04	36.21	-0.03	2.31
TR Mgd Eq Plan Inc	5¼	32.92	31.92	33.95	-0.03	2.30
TR Wwide Sp Sit Acc	5¼	38.03	38.03	40.57	+0.21	0
TR Wwide Sp Sit Inc	5¼	38.00	38.00	40.53	+0.21	0
TR Pension Portfolio						
TR American Gwth &	6	29.28	29.67	31.45	+0.26	0
TR Eur Sp Sits &	6	35.40	35.86	38.01	+0.32	0
TR General Growth &	6	24.28	24.52	25.99	-0.06	0

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gr's
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.6	144.2	—	3.56
Stewart Ivory & Co Ltd				
Saints PPP Feb 14	258.6	272.3	—	0.00
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Mar 15	101.41	107.90	—	3.83
(Accum Units)	102.05	108.65	—	3.85
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1148	1163	+97	1.95
TR Exempt Nth Amer	1005	1017	+28	3.21
TR Exempt Pac Basin	930	950	+9	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gr's
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sy Mar 9		169.5	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	298.6	314.4	—	—
Equity Ser. 1	128.0	134.8	-1.0	—
Prop. Acc. Ser 2	460.3	484.6	—	—
Equity Ser 2	148.3	156.4	-1.2	—
Selective Acc.	238.7	250.6	-2.0	—
Prop. Ser. 4	360.7	379.7	-0.1	—
Equity Ser. 4	151.9	159.9	-1.0	—
Man. Ser. 4	437.5	460.6	-2.5	—
Fixed Int. Ser. 4	206.1	217.1	-2.4	—
Indexed Inv. Ser. 4	138.9	146.3	-0.7	—
American Ser. 4	333.2	350.8	+2.9	—
Japan Ser 4	294.5	310.1	+8.7	—
European Ser 4	127.9	134.7	+0.5	—
High Inc. Ser. 4	452.6	476.5	-1.7	—
Money Ser. 4	244.4	257.3	—	—
Intl Ser. 4	114.6	120.7	-0.1	—
Custodian Ser. 4	102.0	107.4	-0.4	—
Pension Funds				
Property	644.4	678.3	—	—
Equity	1112.6	1171.2	-9.5	—

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Managed Cautionary	102.5	107.9	——	–
Managed Growth	140.5	147.9	–0.2	–
Managed Opportunity	143.8	151.4	–0.2	–
NFMC Target Financial	99.7	105.0	+0.5	–
Pension Funds				
Managed Cautionary	107.4	113.1	——	–
Managed Growth	144.5	152.2	–0.2	–
Managed Opportunity	146.2	153.9	–0.3	–
NFMC Target Mngd Pen	1505.5	1584.8	+3.7	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or –	Yield Gross
Managed Fund	221.0	233.6	+0.9	–
Managed Protect Fund	186.3	196.2	+0.9	–
Pens Managed	289.3	304.6	+4.2	–
Pens UK Equity	334.0	351.6	+2.3	–
Pens Overseas Equity	417.3	439.3	+15.3	–
Pens Property	159.9	168.4	–0.8	–
Pens Fixed Interest	169.0	177.9	+0.5	–
Pens Index Linked	142.2	149.7	–0.1	–
Pens Deposit	191.9	202.0	+0.7	–
Harvester & P.R.P.				
UK Equity	146.0	153.7	+1.0	–
Overseas Equity	149.4	157.3	+4.8	–
Fixed Interest	115.5	121.6	+0.4	–
Property	133.1	140.2	–0.6	–
Index Linked	129.2	136.0	–0.1	–
Deposit	133.1	140.2	+0.5	–
Managed	145.8	153.5	+2.1	–
With Profits	136.2	143.4	+0.3	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	339.8	357.7	–0.5	–
UK Equity	429.3	451.9	–1.7	–
Overseas Eq.	368.1	387.5	+8.1	–
Americas	276.7	291.3	+3.5	–
Far East	375.7	395.5	+5.5	–
Property	220.2	231.8	–0.1	–
Fixed Int.	206.5	217.4	–4.0	–
Indexed Gilt	133.4	140.5	–1.2	–

Providence Capitol Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
UK Managed Initial	114.5		–0.4	–
Property Initial	165.9		–0.1	–
Money Initial	79.3		——	–
Special Market Initial	137.7		+0.3	–
Japan Equity Initial	99.0		+0.9	–
North American Initial	85.6		–0.4	–
Pacific Initial	80.2		+0.2	–
Technology Initial	96.9		——	–
Nat Resources Initial	58.9		–0.1	–
European Initial	108.9		+0.7	–
Residential Prop Init	103.7		——	–
Swiss Equities Initial	37.1		+0.1	–
Hong Kong Initial	49.6		+2.5	–
UK High Inc Eq Init	67.5		–0.4	–
Int Fixed Interest Init	48.6		–0.3	–
Inc Managed Init	56.8		–0.1	–
IMP Managed Init	113.7		——	–
IMP Managed II Initial	98.8		——	–
Broker Funds				
High Performance	75.9	80.0	–0.1	–
Towerhill Mngd Fd Acc	52.6	55.4	–0.1	–
YRA Executive Fd	92.5	97.5	——	–
£ Global Growth Acc	130.5	137.6	——	–
£ High Income Money Acc	111.4	117.7	——	–
Intl Balanced	56.0		–0.1	–
H.F. Speculator Fd	158.0		——	–
PEP Acorn II	124.8		–0.2	–
PEP Cautionary	87.8		–0.4	–
AAFS Int. Man Fund	120.6		+0.3	–
Andrews-Grant Inv Port	102.5		——	–
Individual Pension Funds				
UK Equity Acc	218.8	230.9	–0.9	–
UK Fixed Interest Acc	172.5	182.0	——	–
Intl Equities Acc	252.1	266.0	–0.7	–
UK Managed Acc	180.3	190.1	–0.9	–
Property Acc	208.3	219.8	–0.2	–
Money Acc	136.9	144.5	——	–
Special Market Acc	278.7	294.0	+0.7	–
Japan Equity Acc	200.5	211.5	+2.2	–
North American Acc	134.1	141.5	–0.8	–
Pacific Acc	197.2	208.1	+0.9	–
Technology Acc	161.0	169.9	+0.1	–
Natural Resources Acc	116.6	123.1	–0.3	–
European Acc	145.9	154.0	+1.1	–

South Yorks Investment Management
Hooton Pagnell, Doncaster DN5 7DW 0977 640331

	Bid Price	Offer Price	+ or –	Yield Gross
Pens-Man-NM	124.7	131.2	+1.3	–
Sth Yorks Intl	119.1	119.1	+2.8	–
Sth Yorks Inc & Gth	152.0	160.1	+0.7	–
Sth Yorks Share Pfolio	108.8	114.6	+2.4	–

Tattersall Investment Mngt. Ltd
Waverley Ct, Wilnell Rd, Lichfield, Staffs. 0543 414848

	Bid Price	Offer Price	+ or –	Yield Gross
TIM Mngd Growth Fd	122.2	128.6	——	–
Exempt Fd (Accum)	113.1	119.6	——	–

OFFSHORE AND OVERSEAS

Capital House Fund Mgrs (CI) Ltd (0985)H
PO Box 189, Capital Hse, Bath St., St. Helier, Jersey
Tel: 0534 74689 (Dealing) 0534 75639 (Helpline)
Facsimile: 0534 79040 Telex: 4192136
Capital House International Growth Funds Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Grs
Equities						
UK Equity	5	£1.146	1.146	1.216	[illegible]	–
North American	5	£1.509	1.509	1.601	[illegible]	–
Japanese	5	£1.504	1.513	1.606	[illegible]	–
Pacific Basin	5	£2.542	2.585	2.744	[illegible]	–
Continental European	5	£2.565	2.581	2.740	[illegible]	–
Gold	5	£1.496	1.496	1.588	[illegible]	–

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

هكذا من الأصل

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Investment Services Intl SA						
Marktgasse 63/65, 3001 Berne, Switzerland 224051						
Hill Samuel Global Portfolio						
Global Equity		$–	9.47			–
Global Bond		$–	9.29			–
Global Managed		$–	9.40			–
Sterling Fixed Int		£–	9.45			–
European Fixed Int		DM–	8.86			–
UK Equity		£–	9.18			–
UK Smaller Co's Eqty		£–	9.56			–
Nth American Equity		$–	9.54			–
US Smaller Co's Eqty		$–	9.26			–
Japanese Equity		Y–	936			–
European Equity		DM–	10.06			–
Pacific Basin Equity		$–	9.28			–
Hypo Foreign & Colonial P'folio Fd Sicav						
1 Laurence Pountney Hill, London EC4R 0BA 01-623 4680						
Foreign & Colonial Portfolios Fund						
Am Smlr Cos Eqt(1–2)		$–	11.14		-0.12	–
Oriental Eqty(1–8)		$–	9.84		-0.22	–
European Eqty(2–3)		$–	14.89			–
Nordic Equity		$–	15.21		-0.05	–
Amer Majors Equity		$–	9.54		-0.02	–
West Pacific Equity		$–	10.78		-0.07	–
Medit'r'n Equity		$–	9.93		+0.08	–
British Equity		$–	9.22		+0.06	–
US Dlr S-Term Asset		$–	–			–
Stlg Short-Term Asset		£–	–			–
Nth American Bond		$–	9.92		+0.01	8.6
Multi-Currency Bond		$–	10.02		+0.01	8.60
Sterling Bond		£–	9.20		+0.01	10.00

* Daily dealing

Ivory & Sime (Luxembourg) SA
13 rue Goethe L-1637 Luxembourg 010 352 4046461
Atlas Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Lazard Fund Managers—Contd.				
Lazard Japan Fund	$51.43	52.82	-4.51	–
Lazard Nth Am.	$20.62	21.96		1.0
Lazard Sel Port £ Cap.	£13.89	14.99		–
Lazard Sel Port £ Inc.	£9.11	9.59		13.39
Lazard Sel Port $ Cap.	$13.08	14.13		–
Lazard Sel Port $ Inc.	$8.50	8.98		8.98
Lazard U.K.	£1.313	1.380		–
M & G Island Fund				
Island	647.1	685.9	-2.9	2.80
(Accum Units)	1259.6	1335.2	-4.7	2.80
MIM Financial Mgmt Intl Ltd				
Mngd. Currency	£6.715	7.054	+0.049	5.70
MIM Portfolio Selection Fund Ltd				
Conscience	£1.048	1.114	-0.001	1.41
Far East Gwth	$1.314	1.397	+0.012	0.00
Smaller Co's	£0.942	1.032	-0.003	1.20
Special Sits	£0.959	1.020	-0.004	0.78
Intl Bond	$0.877	0.932	-0.004	6.32
American Fund	$1.975	2.101	-0.010	2.18
American Smaller Cos	$1.222	1.300	+0.001	0.00
Australian Fund	£1.660	1.765	+0.014	1.72
British Fund	£1.502	1.597	-0.006	3.04
European Fund	£2.348	2.497	+0.023	0.87
Gold Fund	£0.815	0.866	-0.012	0.90
Hong Kong Fund	£1.713	1.815	+0.090	3.54
International Fund	£1.362	1.443	+0.016	0.43
Japanese Fund	£2.626	2.793	+0.025	0.00
Japan Smaller Cos	£5.115	5.441	+0.049	0.00
Singapore & Malaysian	£1.597	1.698	+0.035	0.00
Dollar Fixed Interest	$0.990	1.053	+0.001	6.98
Sterling Fixed Int	£0.846	0.896	-0.013	10.95
Deutschemark Currency		DM5.034		2.36
Dollar Currency		$1.813		4.91
Sterling Currency		£1.042		10.48
Yen Currency		Y201.5		1.40
Managed Currency	£1.007	1.071	+0.009	6.94
Nikko Capital Mgmt (Europe) Ltd				
Japan Index Fund	Y3,514	3,549		–
New Generation Fd. $	$22.42	22.65		–
Japan Index Alpha	Y11,400	11,572		–
Jap Sector Rotation	Y9,189	9,327		–

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Luxembourg S.A.				
Global Alpha Strategy Fund-SICAV				
Pacific Alpha Fd*	$10.19	10.34		–
US/Europe Alpha Fd**	$9.49	9.64		–
*Price as at March 19				
US Index Fd-SICAV NAV		$10.13	+0.15	–
**Price as at March 20				
Nomura Asia Europe Fund				
NAV Mar 21		$10.20	-0.05	–
Nomura Dragon Global Fund				
NAV Mar 21		$9.59	-0.12	–
Nomura Growth Fund SA				

	Bid Price	Offer Price	+ or -	Yield Gross
Tudor BVI Futures Ltd				
NAV March 19	$6161.18			–
Tyndall International (Bermuda) Ltd				
American Special Sits	$45.07	47.33	-0.45	–
Capital Protection Mar 20	$10.32	10.83		–
Commodity Mar 20	$25.00	26.25		–
Eurobond	$27.41	28.79	+0.03	–
Money Mar 21	$34.30	36.03	+0.01	6.81
Mortgage Mar 20	C$13.66	14.34		–
North American	$38.07	39.98	-0.24	–
Overseas	$28.46	29.89	-0.30	–
Pacific Gold	$4.98	5.24	-0.01	–
Tiger	$44.40	46.63	+0.29	–

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound comes under pressure

INTERVENTION BY the Bank of England failed to prevent sterling weakening on the foreign exchanges yesterday, but the threat of further action by the central bank lifted the currency off the day's lows and allowed it to close above technical support levels of $1.5930 and DM2.7125.

At a post-Budget news conference Mr John Major, the UK Chancellor, said: "If it is necessary to raise interest rates at some stage, I will not shirk from doing so." On the other hand, he added, "I am not prepared to react precipitately to short-term movements."

Mr Major's remarks did not have much impact on a market disappointed at the lack of tighter fiscal and monetary policy in the Budget. Concern that year-on-year inflation is likely to be above 7 per cent at the end of the year, according to Treasury estimates, weighed on the pound, while analysts also pointed out that recent official forecasts have tended to underestimate Britain's problems on the inflation front.

Today is likely to provide a further test for the currency with the publication of the UK trade figures. The market is looking for an improvement from the January current account deficit of £1.9bn, to a figure of around £1.3bn for February. Political nervousness could also increase if, as expected, the ruling Conservative Party loses today's mid-Staffordshire by-election.

Sterling touched a low of $1.5885, but at the London close rallied a little to $1.5945, compared with $1.6110 on Tuesday. The pound also fell to DM2.7225 from DM2.7335; to Y245.75 from Y247.75; to SFr2.4250 from SFr2.4425; and to FFr9.1850 from FFr9.2275. Sterling's index declined 0.5 to 85.5, after opening at 85.4.

The dollar was strong. There were no fresh factors to influence the US currency, but it benefitted from selling of sterling and depression surrounding the Japanese yen. The dollar also improved in terms of the D-Mark, on renewed fears about the possible inflationary impact of German monetary union.

At the London close the dollar had advanced to DM1.7075 from DM1.6960; to SFr1.5210 from SFr1.5155; to FFr5.7600 from FFr5.7275; and to Y154.15 from Y153.85, the highest closing level against the yen since February 1987. The dollar's index rose to 68.8 from 68.5.

The D-Mark traded quietly around the middle of the European Monetary System, but lost a little ground to the French franc and Italian lira. In Paris the D-Mark was fixed at a six-month low of FFr3.3757. The franc was supported by recent encouraging French economic data, and at the London close the D-Mark had fallen to FFr3.3735 from FFr3.3770.

Friction within the Italian coalition Government, following a parliamentary defeat on Tuesday night, had no impact on the lira, which remained around the top of the EMS. The D-Mark fell to L736.90 from L738.50 at the close of trading in London.

£ IN NEW YORK

Mar.21	Latest	Previous Close
£ Spot	1.6045-1.6255	1.5995-1.6005
1 month	0.94-0.93pm	0.95-0.94pm
3 months	2.75-2.72pm	2.68-2.66pm
12 months	9.70-9.60pm	9.40-9.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate

EURO-CURRENCY INTEREST RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EMS EUROPEAN CURRENCY UNIT RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

BASE LENDING RATES

MONEY MARKETS

London rates higher

A WEAKENING of sterling in reaction to the UK Budget pushed interest rates higher in London and financial futures lower on Liffe yesterday. Fears that Mr John Major, the UK Chancellor, has taken a risk with the pound by not producing a tougher Budget, increased rates on the cash money market to a level virtually discounting a rise of ½ per cent in UK bank base rates. The important three-month interbank rose to 15⅛-15¾ per cent from 15$\frac{11}{16}$-15¼. One-year money was also very firm, climbing to 15⅞-15¾ per cent from 15$\frac{11}{16}$-15⅝.

UK clearing bank base lending rate 15 per cent from October 5

On Liffe short sterling for June delivery tested support at 84.50, touching a record low of 84.49, before rebounding to 84.57 at the close, compared with 84.70 on Tuesday.

The Bank of England initially forecast a day-to-day credit shortage of £700m on the money market, but revised this to £750m at noon, and to £950m in the afternoon. Total help of £951m was supplied.

Before lunch the authorities bought £466m bills outright, by way of £1m bank bills in band 1 at 14⅞ per cent; £159m Treasury bills in band 2 at 14¾ per cent; £1m local authority bills in band 2 at 14¾ per cent; and £305m bank bills in band 2 at 14¾ per cent.

In the afternoon another £365m bank bills were purchased in band 2 at 14¾ per cent. Late assistance of around £120m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £917m, with a rise in the note circulation absorbing £105m. These outweighed Exchequer transactions adding £270m to liquidity and bank balances above target of £50m.

In Frankfurt call money was steady at 7.80 per cent, in spite of action by the Bundesbank to drain liquidity from the money market at this week's securities repurchase agreement tender. The central bank allocated only DM5.2bn of 35-day funds, withdrawing DM4.8bn from the banking system as an earlier facility of DM10bn expired yesterday.

Banks paid 7.85 to 8.05 per cent for this week's money however, compared with 7.80 to 8.15 per cent at the last similar tender, and dealers said the smaller allocation did not indicate a tightening of monetary policy.

In Amsterdam the Dutch Central Bank left its money market rate at 8.2 per cent when offering seven-day advances yesterday.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK

Treasury Bills and Bonds

LONDON MONEY RATES

GRANVILLE
SPONSORED SECURITIES

JOTTER PAD

CROSSWORD

No.7,195 Set by CINEPHILE

ACROSS

1 One of Z12 divides into two among the silver (4,5)
6 Isle of Z10 (5)
9 Surrounds of isle borne by Z11 (5)
10 Constellation is part of scene with Z2 (9)
11 Boffin confused seer with Z9 (10)
12 Retail talk? (4)
14 Sovereigns leave quick inside, ending themselves (7)
15 Z5's almost late with acrobatic wear (7)
17 Damn' dot, possibly, that doesn't fit in (7)
19 Z7 on line with books (7)
20 Carriage for piano and Z1 (4)
22 Z6 with one solution by Thackeray (10)
25 Papers taken in by poor variety of tyrant (9)
26 Round much of treaty town it's unusual (5)
27 Fancy reappearing when mother's about (5)
28 Tartar to one upset by restaurant (9)

DOWN

1 Not as many as we infer (5)
2 Wrong side is fat content (9)
3 For African country's journalist it is made official (10)
4 Sapper's vehicle to use again (7)
5 It burrows in shingle and in rising sediment (4,3)
6, 21 Z4's pupil can make jelly (4,5)
7 Resting place for flier and swimmer (5)
8 Take home small drink in vain: it's in way lacking in taste (9)
13 Being a debutante, entertaining bachelor needs examining thoroughly (7,3)
14 Like Z8, I droop (sic) (not sic) (9)
16 Plastic mineral in the manner of one pouring fat? (9)
18 Matching garments for Z3 and French (4-3)
19 Part of Italy portrayed by artist Luigi? (7)
21 See 6 down
23 Girl graduate ruled by queen (5)
24 Overhead steering gear? (4)

Solution to Puzzle No.7,194

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices March 21

INDICES

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday Mar. 17: Taiwan Weighted Price 11504.74 Korea Comp Ex. 855.13

‡ Subject to official recalculation.
Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday March 20 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	30.3m	878	-49	Kawasaki Steel	8.1m	610	-20
Hitachi	14.5m	1,420	-10	Sharp	7.9m	1,690	-30
Tokyo Gas	13.2m	798	-2	NKK	7.4m	680	-39
Toshiba	11.0m	995	-5	Isuzu & Co	7.3m	1,210	-30
Kobe Steel	9.3m	895	-35	MHI	7.0m	895	-16

3pm prices March 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	26	AAR	.48	1.6	18	1136	29⅞	29½	29⅝	– ⅛
9¼	8½	ACM n	1.26	14.		284	9	8⅞	9	
11⅞	10½	ACMIn	1.28	11.		646	11	10⅞	11	+ ⅛
8⅞	7⅝	ACM M	n1.01	13.		125	7¾	7⅝	7⅝	– ⅛
12⅛	11½	ACMMM				166	11⅝	11½	11⅝	– ⅛
11½	10	ACM Sc	1.26	12.		1807	10⅞	10⅝	10¾	+ ⅛
9⅞	8½	ACMSp	1.01	12.		444	8⅞	8¾	8¾	– ⅛
22¼	13	AL Lab	.16	.7	21	828	22	21½	22	+ ⅜
4½	3¼	AMCA	.12e	3.7	41	21	3¼	3¼	3¼	
6½	3¼	AM Intl			11	180	3¼	3⅛	3¼	+ ⅛
23½	15⅜	AM In pf	2	12.		2	16⅛	15⅞	16⅛	– ⅛
107¾	52½	AMR			9	4336	67⅞	65½	65½	–1⅜
5⅛	3¼	ARX				23	3⅞	3⅛	3⅞	+ ⅛
72¼	39	ASA	3a	5.6		1186	54⅛	53⅛	53⅞	
70⅞	51	AbtLab	1.68	2.6	17	5717	64	63⅛	63¼	– ⅛
17⅛	11⅞	AbitiBl g	.50			8	13¼	13⅛	13¼	
13	8⅞	AcmeC	.40	4.1	11	173	10	9½	9⅞	+ ⅛
9⅞	7	AcmeE	.32	3.6	12	22	9	9	9	+ ⅛
38½	27	Acuson			28	274	36	35½	36	+ ⅝
16½	12⅞	AdaEx	2.05e	13.		80	16	15⅞	15⅞	– ⅛
16⅞	7⅛	Adobe				18	12½	12⅜	12½	
20⅛	16⅞	Adob pf	1.84	9.9		17	18⅞	18⅝	18⅝	
13½	8⅞	AMD			21	9001	9⅞	9⅛	9⅞	+ ⅛
35	28¼	AMD pf	3	9.8		78	30¾	30	30¼	
10⅛	5	Advest	.16	2.7	8	91	6	6	6	+ ⅛
62½	48½	AetnLf	2.76	5.5	9	986	50⅛	49⅞	50	– ¼
14	9⅞	AffPb	.24	2.2		278	10⅞	10⅝	10⅞	+ ⅛
25	16⅛	Ahmans	.88	4.8	9	1339	18⅞	18⅛	18¼	– ⅛
3⅞	2	Aileen				52	2	2	2	
50½	40	AirPrd	1.32	2.7	13	957	48⅞	48½	48⅞	+ ⅛
47⅞	22⅞	AirbFrt	.60	1.3	17	138	46⅝	46¼	46¼	– ⅛
25⅛	15½	Airgas			16	19	18	17¾	17¾	– ⅛
20¼	16⅞	Airlease	2.40	12.	10	26	19⅝	19⅜	19⅝	+ ⅛
10¼	8½	AlaP dpf	.87	9.2		5	9⅞	9½	9½	+ ⅛
93	81	AlaP pf	8.16	9.2		z960	88½	86⅛	88½	+2⅛
30½	19⅛	AlskAir	.20	.9	8	65	23⅝	23½	23½	– ⅜
23½	15⅜	Albrto	.36	2.0	10	105	17⅞	17⅛	17⅝	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49½	49½	Xerox pf				250	49½	49½	49½	+ ½
47½	29¾	XTRX	.72	2.8	31	90	29½	29½	29½	+ ⅛
22¼	21	XTRA pf1.94		9.5		196	20⅜	20½	20½	− ⅛
4½	2½	Zapata				710	2⅝	2½	2½	− ⅛
12⅞	6¾	Zemex				23	7⅞	7⅞	7⅞	+ ⅛
21⅛	7⅞	ZenithE				294	9⅞	9⅝	9⅝	− ⅛
21½	14	ZenNtl	.84	5.1	8	17	16½	16⅜	16½	
9⅝	5¾	Zenix	.99	17.		680	5⅝	5⅝	5⅝	− ⅛
16⅛	13	Zero s	.40	2.8	13	189	14⅝	14	14½	− ⅛
44⅛	29⅝	Zurnin	.76	1.9	19	209	40⅞	40⅜	40⅞	+ ⅛
12⅝	10½	Zweig	1.21e	10.		257	12	11⅞	11⅞	
10	8⅝	ZweigTl	.86	10.		1032	9½	9⅜	9⅜	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices March 21

NASDAQ NATIONAL MARKET

3pm prices March 21

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Worthg	.56	17	3257	22	21½	22	+ ⅛
Wyman	.80		52	14⅛	14	14	
			−X−Y−Z−				
XL Dta s		6	1381	9½	9¼	9½	
XOMA			3940	19⅝	19¼	19½	
Xicor		169	181	3½	3⅜	3⅜	
Xyvsn			133	1⅝	1⅝	1⅝	+ ⅛
YanEnS	1.14e	12	27	20¼	20¼	20¼	+ ⅛
YelowF	.76	40	762	26⅛	25⅝	26⅛	+ ⅛
YorkRs		20	262	12⅛	11⅝	11⅞	+ ¼
ZionUt	1.44	12	306	27½	27¼	27½	− ⅛

FINANCIAL TIMES
Thursday March 22 1990

AMERICA

Equities stabilise after Tuesday's profit-taking

Wall Street

AFTER Tuesday's profit-taking, the equity market stabilised and registered modest gains at midsession in subdued trading, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 2.25 points higher at 2,740.99 on low volume of 85m shares. On Tuesday, the index had closed 16.89 points lower at 2,739.22. There was little fresh news with Japanese markets closed for a holiday and no important US economic data expected.

So the market focused on the dollar which came off Tuesday's highs on profit-taking that undermined the Treasury bond market. The benchmark long bond was quoted around ¼ point lower at midsession while the dollar was quoted at Y154.00 compared with an earlier high in New York at Y154.50 and at DM1.7055 from DM1.7115 earlier.

Equity traders reported some selling by investors wanting to lock in profits before the end of the first quarter. This followed unconfirmed rumours on Tuesday of heavy selling by Japanese investors. The fall on Tuesday ended a winning streak which took the Dow 81.06 points or three per cent higher in four sessions.

Analysts believe that the market is due for a correction after the substantial rally from the low of 2,564.19 on February 23. At the close on Monday, the Dow stood 6.8 per cent above that trough, representing a substantial and swift rally. Some believe that the Dow could fall to around 2,660 over the next couple of weeks.

Just as Tuesday's fall was due to programme selling, yesterday's modest rally came on futures-related programme buying. Without this arbitrage activity, the market had little direction. Blue chips continued to outperform the broader market yesterday morning. The Standard & Poor's 500 and New York Stock Exchange Composite indices were both quoted marginally lower during the morning session.

Among blue chip issues, Boeing added $1¼ to $71⅝, partly on a US press report that the possibility of Japanese participation in the company's 767-X aircraft project was less likely because Boeing felt it could finance the new jetliner by itself. Goodyear Tire & Rubber, which is finding favour with stock analysts, gained $1¼ to $38⅞. Anheuser-Busch jumped $1⅛ to $37. The company is testing a draft beer in a clear bottle which would rival Miller Brewing's Miller Genuine Draft, one of the best selling brands in the US.

Abbott Laboratories fell $¼ to $63⅝ on a report that the company had been sent a letter by the Food and Drug Administration threatening regulatory sanctions for failure to correct violations at a generic drug plant. Advanced Micro Devices added $⅛ to $9⅛. The company said it would raise its stake in Xilinx to 20 per cent and discontinue manufacturing and selling certain products because of the alliance. Shawmut National, the New England commercial bank, added $¼ to $14⅞ after news that it had revised upwards its fourth quarter loan loss provisions and lowered its dividend.

Canada

TORONTO was little changed at midday though gold shares were lower following the slide in the bullion prices. The composite index fell 0.3 to 3,744.3 on volume of 12.83m and declines led advances by 272 to 162. Among gold shares, Lac Minerals and American Barrick both fell C$¼ to C$14⅞ and C$23 respectively. Campeau shares hit a new low, down 7 cents to C$1.93, after comments from from the chairman Robert Campeau that claims on C$33.7m worth of loans in default might be settled out of court.

West faces long wait for dreams to come true

Frankfurt's rerating on East German prospects has a limit, writes Katharine Campbell

OSTPHANTASIE, still the overworked buzzword on the floor of the Frankfurt Stock Exchange, is usually translated from the German as euphoria. A more appropriate rendering – for today's German stockpicker – might be "eastern pipe-dreams."

As the flow of East-West corporate deals rolls on, it often seems that the richer, the riskier and the more remote the proposed investment, the better the market is pleased. No-one disputes the immense long-term economic potential of a reunified German economy. But the wholesale rerating of the market has a limit.

Last Sunday saw East German citizens vote for a carbon copy of the social market economy to be extended east of the Elbe. What this brought home was that the assumed 25 per cent expansion of the German market was indeed a distinctly German affair.

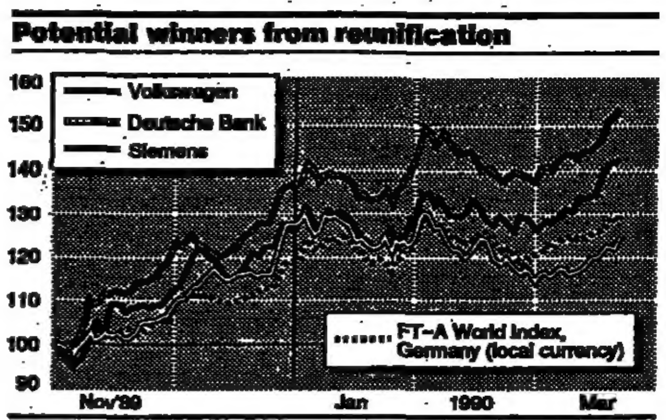
Massive infrastructural investment is planned for East Germany, and this may halt the exodus to the West. But the citizens who choose to remain will do so for the promise of progress; these projects will not move fast to completion. It hardly needs stressing that the same will be true for the corporate adventurers. Their earnings gains will be long term.

Perhaps it is the visual force of the dilapidated state of East German towns, crumbling from years of neglect and pollution, that has led to the enthusiasm, and consequently very high ratings, of one sector, namely construction.

Dyckerhoff & Widmann, for instance, is accorded a 33.3 price/earnings ratio for 1990 in a recent study by Baring Securities in Frankfurt, in spite of being one of the few companies still struggling to recover from the crisis in the early 1980s.

While a good case can be made for companies with strength in building materials and renovation – such as Dyckerhoff – the major rewards from new development projects are obviously a very considerable way off.

Potential winners from reunification



Non-German analysts, in particular, listen to many companies in the sector which say they are already working at full capacity, cannot find extra labour and do not set much store by fresh supplies of unskilled hands from the East.

In contrast, financial stocks have been less prominent in the eastern guessing game, but some interesting possibilities are emerging. While the future shape of the East German banking system is indistinct, leading western institutions are positioning themselves.

While the talk in January revolved around the significance of Dresdner's symbolic return to its roots, recently observers have been indulging in a little word-play and pointing out that the removal of the "Kredit" from the newly-formed Deutsche Kreditbank might deliver the answer to the look of the landscape in the not too distant future.

Deutsche Kreditbank, formed on Monday, is assuming the commercial banking operations from the old Staatsbank (state bank). If Deutsche Bank were to take over the institution, it would give it an immediate network of about 200 branches. Deutsche Bank has so far only said it is considering this among many options.

According to Mr Thomas Albrecht of UBS Phillips & Drew in London, Deutsche's shares are currently the cheapest of the big three – trading at 4 per cent below their 10-year historic average weighting, compared with Dresdner at 17 per cent above. But potential investors will still ask questions as to how soon the true risks of selling credit in the East can be adequately reflected in the prices charged.

Among the insurers, Allianz has positioned itself so well – announcing plans for a joint venture with the former state insurance monopoly – that it has invoked the ire of its domestic competitors and drawn the odd stiff hint from the Berlin federal cartel office that its position might be subject to review for monopoly in a united Germany.

What jurisdiction the West German authorities can have over the transition period is an open question – and of interest not just in the case of Allianz. More interestingly, whether the regulators can afford to meddle where high levels of investment are so urgently needed is highly doubtful. Only an institution of the size of Allianz, Europe's largest insurer, could swallow the very diverse bag of risks it would be assuming.

A particular market favourite recently has been Volkswagen, whose early and ambitious joint plans with the manufacturers of Trabants, together with further plans in the rest of eastern Europe, have fired traders' imaginations.

Once again the returns are a considerable way off – "these are excuses not reality; earnings this year will of course be driven not by sales of Golfs to the East Germans but by the wide ranging cost saving programmes in the domestic market," as one London-based analyst bluntly points out.

Siemens, another darling of the market when it looks East stands to benefit because just about every area of its operations – from telecommunications to power engineering – will serve pent-up needs in the East. But some analysts again caution against over-excitement – an absolute change in its relative market position, for instance, would not occur unless the Siemens board so decided, they remark.

Probably the quickest D-Mark will be earned by retailers able to supply western goods in the East in the euphoria after currency union, although even here the cautious would argue that the next year will see – dare it be said – a modest transfer of spending power from West to East Germany, rather than an overall increase.

Bombay welcomes surprise tax cuts

By R.C. Murthy in Bombay

INDIAN stock markets heaved a sigh of relief this week and welcomed Monday's National Front Government's budget, the first since it came to power last November after defeating the Congress Party headed by Mr Rajiv Gandhi.

The 30-share index of the Bombay Stock Exchange, which sets the pace for the regional markets, jumped more than 45 points in two days, but lost 4.62 points to close at 721.69 yesterday on heavy offerings by the Unit Trust of India and other mutual funds.

The budget proposed a 10 percentage point reduction in corporate taxation to 40 per cent, although this was qualified by the abolition of investment allowances, and raised the exemption limit for income tax from Rs18,000 to Rs22,000.

Analysts had been expecting heavy corporate and personal taxation imposts, to finance enhanced expenditure on the rural sector. The index had fallen from a six-month peak of 794.6 in December to 659 in mid-February.

This week, foreign-controlled and consumer product companies rose smartly and bulls gained an upper hand as bears covered their positions. Hindustan Lever, a Unilever subsidiary, Colgate and some other consumer product companies were in demand.

The uptrend was fuelled by the repeal of the minimum 30 per cent corporate tax, which was imposed six years ago to prevent companies from escaping the tax net through clever tax planning and judicious investment.

Traders had been apprehensive of an anti-market budget as the Finance Minister, Prof Madhu Dandavate, has a socialist background; several promises were made in the poll manifesto of Janata Dal, the main constituent of the National Front, to divert resources from industry.

Markets have yet to digest the full implications of the budget. However, big domestic companies such as Reliance Industries and Tata Iron and Steel have expansion and diversification plans which could be affected by the abolition of investment allowances.

ASIA PACIFIC

Jardine Matheson boosts Hong Kong

THE CLOSURE of Tokyo yesterday for a local holiday gave Hong Kong the opportunity for a strong session, but most other markets remained cautious.

HONG KONG took advantage of Tokyo's closure and advanced in improved turnover after strong results from Jardine Matheson, the trading company. The Hang Seng index rose 46.89, or 1.6 per cent, to 2,926.92 in turnover of HK$1.3bn, up from HK$932m on Tuesday.

Jardine Matheson gained HK$1 to HK$26.30 after reporting a 42 per cent rise in 1989 profits. Property stocks were also strong, with Cheung Kong up 30 cents at HK$10.80 and Hongkong Land adding 15 cents to HK$7.85.

NEW ZEALAND weakened as three large stocks went ex dividend. The Barclays index, which is not adjusted for dividend payments, dropped 32.88, or 1.8 per cent, to 1,746.62.

The market was also disappointed by the Government's economic package which hit the New Zealand dollar.

Fletcher Challenge fell 4.5 cents to NZ$4.14 after adjusting for payment of an 11.5 cents dividend. After accounting for their dividend payments, Independent Newspapers was steady at NZ$5.10 and Magnum rose 2.4 cents to NZ$3.15.

Elders Resources was the most actively traded stock, accounting for 65 per cent of the day's volume of 17.6m shares worth NZ$28.7m. Traders reported an off-market sale of 12.5m Elders Resources shares at NZ$1.65, below the market price of NZ$1.68, at which Elders Resources closed unchanged.

MANILA's index advanced on demand for commercial and industrial stocks, but the overall market finished mixed as investors sold oil and mining issues. The composite index gained 43.70, or 3.9 per cent, to 1,160.70.

TAIWAN fell on profit-taking and continued political worries, after the market had opened higher following the appointment of Lee Teng-Hui to another six-year term as president.

The weighted index closed 190.32 lower at 11,257.23 after reaching 11,567.15 earlier. Volume rose to 799m shares valued at NT$119.5bn from 728m and NT$111bn on Tuesday.

AUSTRALIA eased in thin trade ahead of the national elections on Saturday. Investors also preferred to keep to the sidelines until Tokyo reopened. The All Ordinaries index lost 8.3 to 1,587.7 while the gold index dropped 35.00 to 1,778.02 following the slump in the bullion price to four-month lows. Among gold stocks, Placer Pacific fell 13 cents to A$3.34 and Kidston lost 10 cents to A$3.25.

Turnover fell to its lowest level in more than a week, down to 78m shares valued at A$148m from Tuesday's 90m and A$184m.

SOUTH AFRICA

GOLD STOCKS in Johannesburg fell sharply on the lower bullion price. The JSE Gold index lost 125, or 5.8 per cent, to 2,018. De Beers fell R3.75 to R87, closing above its low on news that it was raising its rough gem diamond prices.

EUROPE

Bourses rise on their individual strengths

WITH Tokyo closed and Wall Street opening gently higher after an up-and-down opening to the week, continental bourses had an opportunity to look at their own strengths yesterday, *writes Our Markets Staff.*

FRANKFURT saw a rise in the bond market reflected in a fall of five basis points to 8.91 per cent in the Bundesbank's average bond yield. This provided a platform for equities, where volume rebounded from DM9.95bn to DM14.4bn, the FAZ index hit a new high of 818.81, up 11.29, and the DAX put on 29.16 to 1,987.99, just 1.44 short of its own all-time closing high.

The front-liners, Daimler, Deutsche Bank and Siemens, rose DM13.50, DM21 and DM7.40 to DM914.50, DM817 and DM816.20 respectively. Construction stocks accelerated Tuesday's upswing with Hochtief DM55 higher at DM1,515 and Holzmann DM42 better at DM1,431.

Special situations added spice. Nixdorf jumped 3.8 per cent, or DM11, to DM300 on news that the company's losses for 1990 will be halved, due in part to its reducing the 1990 reporting year to nine months. The tyremaker, Continental, gained DM15.20 at DM309 on a mundane progress report.

PARIS finished higher after a nervous start, but volumes remained thin. The CAC 40 index closed 11.79 up at 1,937.18 as the bond market firmed and Wall Street opened higher, in turnover of around FFr1.7bn. Trading began cautiously after the news of a trade deficit of FFr961m in February, after FFr411m in January.

Saint Gobain, the construction and glass group, eased FFr7 to FFr575 on good volume of 199,800 shares after an analysts' meeting. One observer said the company was worried about its exposure to Brazil, which accounts for about 6 to 7 per cent of sales, after the Brazilian Government's austerity package, but was optimistic about prospects in Germany.

Another company with concerns about Brazilian sales is Carrefour, the retailer, which fell FFr77 to FFr3,178. Among the day's big winners was Imetal, the metals company, which gained FFr14.50 to FFr315.50.

MILAN was unsettled by a defeat for the coalition Government in the Senate. But the Comit index rose a marginal 0.02 to 682.95, because the four large corporate groups were said to be supporting their own shares.

Most of the activity came from domestic short-covering. Fiat lost L40 to 10,350 while Olivetti gained L72 to L6,650. Ferruzzi Finanziaria was L19 up at L2,920 and Enimont eased L44 to L1,401.

AMSTERDAM concentrated on Hoogovens, which is due to announce a sharp increase in 1989 profits and a higher dividend today. The stock came off from a high of Fl 80.80 to close 60 cents lower at Fl 77.40.

Publisher Wolters Kluwer firmed Fl 1.10 to Fl 48.80 after announcing a 25 per cent rise in 1989 earnings, while Volmac, the software company, shed Fl 2.50 to Fl 45.50 after it announced a cut of 50 cents in the 1989 dividend to Fl 3. The CBS tendency index rose 0.6 to 114.7.

STOCKHOLM advanced in moderate trading, with the Affärsvärlden General index up 11.90 at 1,147.10. Foreign demand for Nobel, the arms and chemical maker, pushed the company's free shares up SKr20 to SKr300.

MADRID fell again on worries about international markets. The general index lost 3.15 to 263.97 as the banking sector weakened, with Banesto down Pta130 at Pta3,650 after firming recently, and Banco Popular declining Pta110 to Pta7,520.

HELSINKI rose in active trading after Wartsila shareholders overwhelmingly approved a plan for their company to be merged with Lohja. The Unitas all-share index rose 1.5 to 638.5.

BRUSSELS was led higher by the big industrial stocks and by a robust outlook for the domestic economy this year. The cash market index rose 45.58 to 6,114.18.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 20 1990						MONDAY MARCH 19 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (83)	141.08	+0.3	129.83	123.95	+0.0	5.57	140.61	129.32	123.91	160.41	128.28	137.77
Austria (19)	281.28	−1.5	258.85	247.58	−0.8	1.07	285.63	262.70	249.67	285.63	92.84	108.70
Belgium (61)	144.26	−0.5	132.76	125.40	+0.2	4.46	145.04	133.39	125.18	160.02	125.58	129.36
Canada (120)	143.11	−0.3	131.71	122.18	−0.7	3.30	143.55	132.02	123.02	154.17	124.67	134.30
Denmark (36)	257.06	−1.4	236.57	227.34	−0.4	1.41	260.61	239.69	228.36	260.82	165.35	167.27
Finland (26)	141.33	−0.7	130.07	118.90	−0.4	2.51	142.35	130.92	119.39	168.16	118.88	145.81
France (125)	150.14	−1.2	138.17	134.89	−0.6	2.81	151.99	139.79	135.66	157.97	112.57	114.57
West Germany (96)	132.80	−1.6	122.21	117.09	−1.0	1.82	135.17	124.32	118.27	137.01	79.56	82.80
Hong Kong (48)	118.50	+0.3	109.06	118.88	+0.3	5.02	118.10	108.62	118.48	140.38	86.41	129.06
Ireland (17)	187.56	−0.5	172.61	168.55	−0.1	2.49	188.43	173.30	168.73	198.57	125.00	142.64
Italy (96)	97.03	−0.7	89.29	90.76	−0.1	2.53	97.73	89.89	90.82	102.11	74.97	79.91
Japan (455)	140.68	−2.6	129.47	136.81	−2.4	0.56	144.47	132.87	140.18	200.11	140.68	184.02
Malaysia (36)	233.81	+0.4	215.16	245.03	+0.3	2.17	232.99	214.28	244.25	245.32	143.35	159.92
Mexico (13)	390.49	−1.0	359.36	1181.55	−0.7	0.44	394.46	362.79	1190.33	409.41	153.32	166.81
Netherland (43)	138.01	−0.3	127.01	120.28	+0.4	4.63	138.43	127.32	119.76	145.66	110.63	116.16
New Zealand (18)	63.34	−1.8	58.29	57.63	−1.3	6.16	64.47	59.30	58.42	88.18	61.98	89.12
Norway (24)	241.77	−0.7	222.50	216.17	−0.1	1.57	243.52	223.97	216.42	245.90	139.92	171.05
Singapore (26)	191.63	−0.3	176.36	165.45	−0.2	1.76	192.13	176.70	165.83	199.38	124.57	146.22
South Africa (60)	204.79	+2.0	188.47	176.93	+0.2	3.33	200.82	184.70	176.65	251.39	115.35	141.88
Spain (43)	144.95	−0.8	133.39	119.47	−0.2	4.41	146.06	134.34	119.73	169.75	143.14	146.07
Sweden (35)	175.73	−0.5	161.72	159.99	+0.1	2.44	176.58	162.40	159.65	206.95	138.45	165.47
Switzerland (62)	91.34	−1.0	84.06	85.82	−0.5	2.21	92.24	84.83	86.26	99.12	67.81	74.89
United Kingdom (307)	147.64	+0.8	135.87	135.87	+0.9	4.80	146.48	134.72	134.72	164.31	133.28	148.85
USA (540)	138.02	−0.6	127.02	138.02	−0.6	3.46	138.82	127.68	138.82	146.29	112.13	118.59
Europe (990)	138.34	−0.4	127.32	124.25	+0.0	3.51	138.91	127.76	124.21	146.88	112.63	118.14
Nordic (121)	189.17	−0.9	174.09	163.12	−0.2	1.91	190.87	175.55	163.42	201.89	137.95	147.79
Pacific Basin (666)	139.94	−2.4	128.79	135.64	−2.2	0.91	143.42	131.91	138.73	194.72	139.84	179.76
Euro−Pacific (1656)	139.65	−1.6	128.52	131.64	−1.3	1.96	141.95	130.55	133.41	174.18	139.65	155.13
North America (660)	138.23	−0.6	127.21	137.02	−0.6	3.45	139.01	127.85	137.82	146.86	112.79	119.43
Europe Ex. UK (683)	130.97	−1.1	120.53	116.84	−0.5	2.71	132.47	121.83	117.37	135.73	96.30	99.22
Pacific Ex. Japan (211)	130.43	+0.2	120.04	118.69	+0.0	4.94	130.21	119.75	118.64	140.05	111.93	128.67
World Ex. US (1849)	140.53	−1.5	129.33	132.12	−1.3	2.02	142.71	131.26	133.84	173.77	140.53	154.28
World Ex. UK (2082)	137.69	−1.4	126.71	133.78	−1.2	2.28	139.65	128.44	135.46	162.00	136.98	139.64
World Ex. So. Af. (2329)	138.15	−1.2	127.14	133.65	−1.1	2.51	139.87	128.64	135.07	161.84	136.57	140.44
World Ex. Japan (1934)	138.86	−0.4	127.79	132.60	−0.3	3.53	139.47	128.28	133.01	145.52	114.51	119.59
The World Index (2389)	138.56	−1.2	127.51	133.95	−1.0	2.52	140.24	128.98	135.35	162.05	138.68	140.44

Latest prices were unavailable for this edition.
Constituent change 21/3/90: Deletion: Waitaki International (New Zealand).